



# Finance Act 2004

## 2004 CHAPTER 12

An Act to grant certain duties, to alter other duties, and to amend the law relating to the National Debt and the Public Revenue, and to make further provision in connection with finance. [22nd July 2004]

Most Gracious Sovereign

WE, Your Majesty's most dutiful and loyal subjects, the Commons of the United Kingdom in Parliament assembled, towards raising the necessary supplies to defray Your Majesty's public expenses, and making an addition to the public revenue, have freely and voluntarily resolved to give and to grant unto Your Majesty the several duties hereinafter mentioned; and do therefore most humbly beseech Your Majesty that it may be enacted, and be it enacted by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

### **Modifications etc. (not altering text)**

- C1** Act modified (1.7.2008) (N.I.) (with effect in accordance with reg. 1 of the amending Rule) by [The Health and Social Care \(Pension Scheme\) Regulations \(Northern Ireland\) 2008 \(S.R. 2008/256\)](#), **reg. 88(1)** (with regs. 134, 258)
- C2** Act modified (1.7.2008) (N.I.) (with effect in accordance with reg. 1 of the amending Rule) by [The Health and Social Care \(Pension Scheme\) Regulations \(Northern Ireland\) 2008 \(S.R. 2008/256\)](#), **reg. 215(1)** (with regs. 134, 258)

*Status: Point in time view as at 18/02/2021.*

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## PART 1

### EXCISE DUTIES

#### *Tobacco products duty*

#### 1 Rates of tobacco products duty

- (1) For the Table of rates of duty in Schedule 1 to the Tobacco Products Duty Act 1979 (c. 7) substitute—

TABLE

1. Cigarettes	An amount equal to 22 per cent of the retail price plus £99.80 per thousand cigarettes.
2. Cigars	£145.35 per kilogram.
3. Hand-rolling tobacco	£104.47 per kilogram.
4. Other smoking tobacco and chewing tobacco	£63.90 per kilogram.

- (2) This section shall be deemed to have come into force at 6 o'clock in the evening of 17th March 2004.

#### *Alcoholic liquor duties*

#### 2 Rate of duty on beer

- (1) In section 36(1AA)(a) of the Alcoholic Liquor Duties Act 1979 (c. 4) (rate of duty on beer) for “£12.22” substitute “ £12.59 ”.
- (2) This section shall be deemed to have come into force at midnight on 21st March 2004.

#### 3 Rates of duty on wine and made-wine

- (1) For Part 1 of the Table of rates of duty in Schedule 1 to the Alcoholic Liquor Duties Act 1979 (rates of duty on wine and made-wine) substitute—

### “PART 1

#### WINE AND MADE-WINE OF A STRENGTH NOT EXCEEDING 22 PER CENT

<i>Description of wine or made-wine</i>	<i>Rates of duty per hectolitre</i>
	£
Wine or made-wine of a strength not exceeding 4 per cent	50.38

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Wine or made-wine of a strength exceeding 4 per cent but not exceeding 5.5 per cent	69.27
Wine or made-wine of a strength exceeding 5.5 per cent but not exceeding 15 per cent and not sparkling	163.47
Sparkling wine or sparkling made-wine of a strength exceeding 5.5 per cent but less than 8.5 per cent	166.70
Sparkling wine or sparkling made-wine of a strength of 8.5 per cent or of a strength exceeding 8.5 per cent but not exceeding 15 per cent	220.54
Wine or made-wine of a strength exceeding 15 per cent but not exceeding 22 per cent	217.95”

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(2) This section shall be deemed to have come into force at midnight on 21st March 2004.

#### **4 Duty stamps for spirits etc**

(1) At the beginning of Part 6 of the Alcoholic Liquor Duties Act 1979 (c. 4) (general control provisions) under the heading “*Sale of dutiable alcoholic liquors*” insert—

**“64A Retail containers of certain alcoholic liquors to be stamped**

Schedule 2A to this Act (duty stamps) has effect.”.

(2) Before Schedule 3 to that Act insert the Schedule 2A set out in Schedule 1 to this Act.

(3) In section 12(2) of the Finance Act 1994 (c. 9) (defaults engaging Commissioners' power to assess excise duty to the best of their judgement) after paragraph (c) insert—

“(ca) any failure by any person to comply with a requirement to which he is made subject by or under Schedule 2A to the Alcoholic Liquor Duties Act 1979 (duty stamps);”.

(4) In section 14(1) of that Act (reviewable decisions) after paragraph (bc) insert—

“(bd) any decision by the Commissioners as to whether or not any person is entitled to any repayment or credit by virtue of regulations under paragraph 4(2)(h) of Schedule 2A to the Alcoholic Liquor Duties Act 1979 (duty stamps), or the amount of the repayment or credit to which any person is so entitled;

(be) any decision by the Commissioners made by virtue of regulations under paragraph 4(2)(i) of that Schedule that some or all of a payment made, or security provided, is forfeit, or the amount which is so forfeit;”.

(5) The amendments made by this section have effect in relation to retail containers containing alcoholic liquor if the excise duty point for the alcoholic liquor falls on or after such day as the Treasury may by order made by statutory instrument appoint.

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- (6) An order under subsection (5) may contain such supplemental and transitional provision and savings as the Treasury think fit in connection with the coming into effect of those amendments.
- (7) In subsection (5) “excise duty point” has the meaning given by section 1 of the Finance (No. 2) Act 1992 (c. 48).

#### Commencement Information

- II** S. 4(1)(3)(4) has effect as specified by [The Finance Act 2004 \(Duty Stamps\) \(Appointed Day\) Order 2006 \(S.I. 2006/201\)](#), [art. 2](#)

### *Hydrocarbon oil etc duties*

## 5 Rates

- (1) In section 6 of the Hydrocarbon Oil Duties Act 1979 (c. 5) (hydrocarbon oil: rates of duty)—
- (a) in subsection (1A)(a) (ultra low sulphur petrol) for “£0.4710” substitute “£0.4902 ”,
  - (b) in subsection (1A)(b) (other light oil) for “£0.5620” substitute “ £0.5790 ”,
  - (c) in subsection (1A)(c) (ultra low sulphur diesel) for “£0.4710” substitute “ £0.4902 ”, and
  - (d) in subsection (1A)(d) (other heavy oil) for “£0.5327” substitute “ £0.5487 ”.
- (2) In section 6AA(3) of that Act (biodiesel: rate of duty) for “£0.2710” substitute “ £0.2852 ”.
- (3) In section 11(1) of that Act (rebate on heavy oil)—
- (a) in paragraph (a) (fuel oil) for “£0.0382” substitute “ £0.0624 ”,
  - (b) in paragraph (b) (gas oil: general) for “£0.0422” substitute “ £0.0664 ”, and
  - (c) in paragraph (ba) (ultra low sulphur diesel) for “£0.0422” substitute “ £0.0664 ”.
- (4) In section 13A(1) of that Act (rebate on unleaded petrol) for “£0.0601” substitute “ £0.0620 ”.
- (5) In section 14(1) of that Act (rebate on light oil for use as furnace fuel) for “£0.0382” substitute “ £0.0624 ”.
- (6) This section shall come into force on 1st September 2004.

#### Commencement Information

- I2** S. 5 in force at 1.9.2004, see s. 5(6)

## 6 Road fuel gas

- (1) At the end of section 5 of the Hydrocarbon Oil Duties Act 1979 (road fuel gas) (which becomes subsection (1)) add—

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“(2) In this Act “natural road fuel gas” is road fuel gas with a methane content of not less than 80%.”

(2) For section 8(3) of that Act (rate of duty on road fuel gas) substitute—

“(3) The rate of the duty under this section shall be—

- (a) in the case of natural road fuel gas, £0.1110 a kilogram, and
- (b) in any other case, £0.1303 a kilogram.”

(3) After section 21(2) of that Act (regulations) insert—

“(2A) In the case of regulations made for the purposes mentioned in subsection (1) (c) above, different regulations may be made for different classes of road fuel gas.”

(4) This section shall come into force on 1st September 2004.

#### Commencement Information

**I3** S. 6 in force at 1.9.2004, see s. 6(4)

## 7 Sulphur-free fuel

(1) For section 1(3A) and (3B) of the Hydrocarbon Oil Duties Act 1979 (descriptions of hydrocarbon oil: ultra low sulphur petrol and unleaded petrol) substitute—

“(3A) “Ultra low sulphur petrol” means unleaded petrol—

- (a) the sulphur content of which does not exceed 0.005 per cent. by weight,
- (b) the aromatics content of which does not exceed 35 per cent. by volume, and
- (c) which is not sulphur-free petrol.

(3B) “Sulphur-free petrol” means unleaded petrol the sulphur content of which does not exceed 0.001 per cent. by weight (or is nil).

(3C) “Unleaded petrol” means petrol that contains not more than 0.013 grams of lead per litre of petrol; and petrol is “leaded petrol” if it is not unleaded petrol.”

(2) For section 1(6) of that Act (ultra low sulphur diesel) substitute—

“(6) “Ultra low sulphur diesel” means gas oil—

- (a) the sulphur content of which does not exceed 0.005 per cent. by weight,
- (b) the density of which does not exceed 835 kilograms per cubic metre at a temperature of 15°C,
- (c) of which not less than 95 per cent. by volume distils at a temperature not exceeding 345°C, and
- (d) which is not sulphur-free diesel.

(7) “Sulphur-free diesel” means gas oil the sulphur content of which does not exceed 0.001 per cent. by weight (or is nil).”

<sup>F1</sup>(3) .....

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- (4) For section 2A(1) of that Act (power to amend definitions) substitute—
- “(1) The Treasury may by order made by statutory instrument amend the definition for the purposes of this Act of—
- (a) sulphur-free diesel;
- (b) sulphur-free petrol;
- (c) ultra low sulphur diesel;
- (d) ultra low sulphur petrol;
- (e) unleaded petrol and leaded petrol.”
- (5) In section 6(1A) of that Act (rates of duty)—
- (a) after paragraph (a) insert—
- “(aa) £0.4852 a litre in the case of sulphur-free petrol;”,
- (b) in paragraph (b) after “other than ultra low sulphur petrol” insert “ and sulphur-free petrol ”,
- (c) after paragraph (c) insert—
- “(ca) £0.4852 a litre in the case of sulphur-free diesel;”, and
- (d) in paragraph (d) after “other than ultra low sulphur diesel” insert “ and sulphur-free diesel ”.
- (6) In section 13AA(6) of that Act (restrictions on use of rebated kerosene) after “which is not ultra low sulphur diesel” insert “ or sulphur-free diesel ”.
- (7) In section 13A(1) of that Act (rebate on unleaded petrol) after “, other than ultra low sulphur petrol” insert “ and sulphur-free petrol ”.
- (8) In section 27 of that Act (interpretation)—
- (a) after the definition of “road vehicle” insert—
- ““sulphur-free diesel” has the meaning given by section 1(7) above;
- “sulphur-free petrol” has the meaning given by section 1(3B) above;”,
- and
- (b) in the definition of “unleaded petrol” and “leaded petrol” for “section 1(3B) above.” substitute “ section 1(3C) above. ”
- (9) This section shall come into force on 1st September 2004.

#### Textual Amendments

**F1** S. 7(3) omitted (retrospective to 1.4.2008) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 5 paras. 25\(e\)\(i\), 26\(b\)](#)

#### Commencement Information

**I4** S. 7 in force at 1.9.2004, see s. 7(9)

## 8 Definition of “fuel oil”

Before section 2A(2) of the Hydrocarbon Oil Duties Act 1979 (c. 5) (power to amend definitions) insert—

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“(1C) The Treasury may by order made by statutory instrument amend the definition for the purposes of section 11 of “fuel oil”.”

## 9 Mixing of rebated oil

- (1) For section 20AAA of the Hydrocarbon Oil Duties Act 1979 (mixing of rebated oil) substitute—

### “20AAA Mixing of rebated oil

- (1) A duty of excise shall be charged on a mixture which is—
- produced by mixing fully rebated heavy oil with heavy oil which is not fully rebated, and
  - supplied for use as fuel for any engine, motor or other machinery.
- (2) A duty of excise shall be charged on a mixture which is—
- produced by mixing partially rebated heavy oil with heavy oil which is not partially rebated, and
  - supplied for use as fuel for any engine, motor or other machinery;
- but a mixture on which duty is charged under subsection (1) shall not be charged under this subsection.
- (3) A duty of excise shall be charged on a mixture which is produced by mixing—
- fully or partially rebated heavy oil, with
  - biodiesel or a substance containing biodiesel.
- (4) The rate of duty on a mixture under subsection (1) or (2) shall be—
- in the case of a mixture supplied for use as fuel for a road vehicle, the rate of duty specified in section 6(1A)(d) (general rate for heavy oil), and
  - in any other case, equivalent to the rate of rebate specified in section 11(1)(b) (general rate for gas oil).
- (5) The rate of duty on a mixture under subsection (3) shall be the rate of duty specified in section 6(1A)(d).
- (6) For the purposes of this section—
- oil is fully rebated if a rebate has been allowed in respect of it under section 11(1)(c) (general rebate for heavy oil),
  - oil is partially rebated if a rebate has been allowed in respect of it under any other provision of section 11 or under section 13AA, and
  - a reference to mixing is a reference to non-approved mixing (within the meaning given by section 20A(5)).
- (7) The person liable to pay duty charged under this section on supply or production of a mixture is the person supplying or producing the mixture.
- (8) Where duty under a provision of this Act has been paid on an ingredient of a mixture, the duty charged under this section shall be reduced by the amount of any duty that the Commissioners are satisfied has been paid on the ingredient (but not to a negative amount).

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- (9) The Commissioners may exempt a person from liability to pay duty under any provision of this Act in respect of production or supply of a mixture of a kind described in subsection (1)(a), (2)(a) or (3) if satisfied that—
- (a) the liability was incurred accidentally, and
  - (b) in the circumstances the person should be exempted.”
- (2) In section 20AAB of that Act (mixing of rebated oil: supplementary)—
- (a) for subsections (1) and (2) substitute—
    - “(1) A person who supplies or produces a mixture on which duty is charged under section 20AAA above must notify the Commissioners of the supply or production—
    - (a) in advance, or
    - (b) within the period of seven days beginning with the date of supply or production.”, and
  - (b) in subsection (3) omit “or (2)”.
- (3) Schedule 2A to that Act shall cease to have effect.
- (4) This section—
- (a) in so far as it imposes or relates to the charge specified in section 20AAA(1) or (2) of that Act (as substituted by subsection (1) above), shall have effect in relation to anything supplied on or after the date on which this Act is passed,
  - (b) in so far as it imposes or relates to the charge specified in section 20AAA(3) of that Act (as substituted by subsection (1) above), shall have effect in relation to anything produced on or after the date on which this Act is passed, and
  - (c) in so far as it causes sections 20AAA and 20AAB(1) and (2) of, and Schedule 2A to, that Act to cease to have effect in their present form, shall come into force on the day on which this Act is passed.
- (5) But no duty shall be charged on the supply of a mixture under section 20AAA(1) or (2) of that Act (as substituted by subsection (1) above) if duty was charged on the production of the mixture under section 20AAA as it had effect before the date on which this Act is passed.

## 10 Bioethanol

- (1) After section 2AA of the Hydrocarbon Oil Duties Act 1979 (c. 5) (biodiesel) insert—

### “2AB Bioethanol

- (1) In this Act “bioethanol” means a liquid fuel—
- (a) consisting of ethanol produced from biomass, and
  - (b) capable of being used for the same purposes as light oil.
- (2) In subsection (1)—
- (a) “liquid” does not include any substance that is gaseous at a temperature of 15°C and under a pressure of 1013.25 millibars, and
  - (b) “biomass” means vegetable and animal substances constituting the biodegradable fraction of—



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- (i) products, wastes and residues from agriculture, forestry and related activities, or
- (ii) industrial and municipal waste.

- (3) A substance shall be treated as falling within subsection (1)(a) if it—
- (a) is denatured alcohol for the purposes of section 5 of the Finance Act 1995 (c. 4), and
  - (b) would fall within subsection (1)(a) above (without reliance on this subsection) but for the presence of a component introduced—
    - (i) for the purpose of rendering the substance denatured alcohol, and
    - (ii) in the minimum proportion necessary for that purpose.”

<sup>F2</sup>(2) .....

- (3) After section 6AC of that Act (biodiesel: application of provisions relating to hydrocarbon oil) insert—

**“6AD Excise duty on bioethanol**

- (1) A duty of excise shall be charged on the setting aside for a chargeable use by any person, or (where it has not already been charged under this section) on the chargeable use by any person, of bioethanol.
- (2) In subsection (1) “chargeable use” means use—
  - (a) as fuel for any engine, motor or other machinery,
  - (b) as an additive or extender in any substance so used, or
  - (c) for the production of bioethanol blend.
- (3) The rate of duty under this section shall be £0.2852 a litre.

**6AE Excise duty on blends of bioethanol and hydrocarbon oil**

- (1) A duty of excise shall be charged on bioethanol blend—
  - (a) imported into the United Kingdom, or
  - (b) produced in the United Kingdom and delivered for home use from a refinery or other premises used for the production of hydrocarbon oil or from any bonded storage for hydrocarbon oil, not being bioethanol blend chargeable with duty under paragraph (a) above.
- (2) In this Act “bioethanol blend” means any mixture that is produced by mixing—
  - (a) bioethanol, and
  - (b) hydrocarbon oil not charged with excise duty.
- (3) The rate at which the duty shall be charged on any bioethanol blend shall be a composite rate representing—
  - (a) in respect of the proportion of the blend that is hydrocarbon oil, the rate that would be applicable to the blend if it consisted entirely of hydrocarbon oil of the description that went into producing the blend, and

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- (b) in respect of the proportion of the blend that is bioethanol, the rate that would be applicable to the blend if it consisted entirely of bioethanol.
- (4) A reference in subsection (3) to a proportion is to a proportion by volume to the nearest 0.001%.
- (5) If the Commissioners are not satisfied as to the proportion of bioethanol in any bioethanol blend, the rate of duty chargeable shall be the rate that would be applicable to the blend if it consisted entirely of hydrocarbon oil of the description that went into producing the blend.
- (6) Where imported bioethanol blend is removed to a refinery, the duty chargeable under subsection (1) above shall, instead of being charged at the time of the importation of the blend, be charged on the delivery of any goods from the refinery for home use and shall be the same as that which would be payable on the importation of like goods.

#### **6AF Application to bioethanol and bioethanol blend of provisions relating to hydrocarbon oil**

- (1) The Commissioners may by regulations provide for—
  - (a) references in this Act, or specified references in this Act, to hydrocarbon oil to be construed as including references to—
    - (i) bioethanol;
    - (ii) bioethanol blend;
  - (b) references in this Act, or specified references in this Act, to duty on hydrocarbon oil to be construed as including references to duty under—
    - (i) section 6AD above;
    - (ii) section 6AE above;
  - (c) bioethanol, or bioethanol blend, to be treated for the purposes of such of the following provisions of this Act as may be specified as if it fell within a specified description of hydrocarbon oil.
- (2) Where the effect of provision made under subsection (1) above is to extend any power to make regulations, provision made in exercise of the power as extended may be contained in the same statutory instrument as the provision extending the power.
- (3) In this section “specified” means specified by regulations under this section.
- (4) Regulations under this section may make different provision for different cases.
- (5) Paragraph (b) of subsection (1) above shall not be taken as prejudicing the generality of paragraph (a) of that subsection.”
- (4) In section 6A(1) of that Act (fuel substitutes) for “which is not hydrocarbon oil, biodiesel or bioblend” substitute “which is not—
  - (a) hydrocarbon oil,
  - (b) biodiesel,
  - (c) bioblend,
  - (d) bioethanol, or

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- (e) bioethanol blend.”
- (5) At the end of section 11(6) of that Act (rebate on heavy oil: exception) add “ or bioethanol blend ”.
- (6) At the end of section 13AA of that Act (restrictions on use of rebated kerosene) add—
- “(7) Nothing in this section has the effect of allowing a rebate on bioblend or bioethanol blend.”
- (7) In section 14 of that Act (rebate on light oil for use as furnace fuel) after subsection (1) insert—
- “(1A) No rebate shall be allowed under this section in respect of bioethanol blend.”
- (8) In section 22 of that Act (prohibition on use of petrol substitutes on which duty has not been paid)—
- (a) after subsection (1AA) insert—
- “(1AB) Where any person—
- (a) puts any bioethanol to a chargeable use (within the meaning of section 6AD above), and
- (b) knows or has reasonable cause to believe that there is duty charged under section 6AD above on that bioethanol which has not been paid and is not lawfully deferred,
- his putting the bioethanol to that use shall attract a penalty under section 9 of the Finance Act 1994 (c. 9) (civil penalties), and any goods in respect of which a person contravenes this section shall be liable to forfeiture.”, and
- (b) in subsection (1A) for “subsection (1) or (1AA) above.” substitute “ subsection (1), (1AA) or (1AB) above. ”
- (9) In section 27(1) of that Act (interpretation) after the definition of “biodiesel” insert—
- ““bioethanol” has the meaning given by section 2AB above;
- “bioethanol blend” has the meaning given by section 6AE(2) above;”.
- (10) This section shall come into force on 1st January 2005.
- (11) But no duty shall be charged under section 6AD or 6AE of that Act (inserted by subsection (3) above) in respect of the chargeable use of any goods, or the setting aside of any goods for a chargeable use, if before 1st January 2005—
- (a) the goods were used or set aside for a chargeable use within the meaning of section 6A of that Act, and
- (b) a duty of excise was charged under that section on that use or setting aside.

#### Textual Amendments

- F2** S. 10(2) omitted (retrospective to 1.4.2008) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 5 paras. 25\(e\)\(ii\)](#), [26\(b\)](#)

#### Commencement Information

- I5** S. 10 in force at 1.1.2005, see s. 10(10)

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## 11 Biodiesel

- (1) In section 6AA(2) of the Hydrocarbon Oil Duties Act 1979 (c. 5) (excise duty on biodiesel) after paragraph (b) add—
- “(c) for the production of bioblend.”
- (2) This section shall come into force on 1st January 2005.

### Commencement Information

**I6** S. 11 in force at 1.1.2005, see s. 11(2)

## 12 Fuel substitutes

- (1) For section 6A(2)(b) of the Hydrocarbon Oil Duties Act 1979 (fuel substitutes: additives and extenders) substitute—
- “(b) as an additive or extender in any substance so used.”
- (2) This section shall have effect in relation to anything done on or after the date on which this Act is passed.

## 13 Warehousing

After section 23B of the Hydrocarbon Oil Duties Act 1979 (regulation of traders in controlled oil) insert—

### “23C Warehousing

- (1) For the purposes of Part VIII of the Customs and Excise Management Act 1979 (c. 2) (warehousing) the substances specified in subsection (4) shall be treated as if they were chargeable with duty (and therefore within the scope of section 92(1)(a) or (c) of that Act) whether or not duty is in fact chargeable.
- (2) The Commissioners may make regulations under section 93 of that Act (warehousing regulations) that relate to a substance specified in subsection (4).
- (3) In respect of a substance specified in subsection (4) which has been or is to be deposited in an excise warehouse by virtue of subsection (2), the Commissioners may—
- (a) treat the substance, or make provision by regulations for treating the substance, as if duty were chargeable in relation to it by virtue of a specified enactment;
  - (b) make any regulations, or do any other thing, of a kind that they could make or do (whether or not by virtue of a provision of Part VIII of that Act) in respect of a substance deposited in an excise warehouse under Part VIII of that Act.
- (4) The substances referred to in subsection (1) are—
- (a) petroleum gas,
  - (b) animal fat set aside for use as motor fuel or heating fuel,
  - (c) vegetable fat set aside for use as motor fuel or heating fuel,
  - (d) non-synthetic methanol set aside for use as motor fuel or heating fuel,

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- (e) biodiesel,
  - (f) a mixture of two or more substances specified in paragraphs (a) to (e), and
  - (g) any other substance specified for the purposes of this section in regulations made by the Commissioners.
- (5) In subsection (4)—
- (a) “petroleum gas” means any hydrocarbon which—
    - (i) is gaseous at a temperature of 15°C and under a pressure of 1013.25 millibars, and
    - (ii) is not natural gas (as defined in paragraph (b) below),
  - (b) “natural gas” means gas with a methane content of not less than 80%,
  - (c) “animal fat” means a triglyceride of animal origin,
  - (d) “vegetable fat” means a triglyceride of vegetable origin, and
  - (e) “non-synthetic methanol” means methyl alcohol of non-synthetic origin.
- (6) Regulations under subsection (4)(g)—
- (a) may make provision only if the Commissioners think it necessary or expedient for a purpose connected with Council Directive [92/12/EEC](#) on the general arrangements for products subject to excise duty and on the holding, movement and monitoring of such products,
  - (b) may, in particular, make provision by reference to that Directive or any other [F3EU] instrument, and
  - (c) may, in particular, make provision by reference to the purpose for which a substance is intended to be used.”

#### Textual Amendments

**F3** Words in Act substituted (22.4.2011) by [The Treaty of Lisbon \(Changes in Terminology\) Order 2011](#) (S.I. 2011/1043), arts. 2, 3, 6 (with art. 3(2)(3), 4(2), 6(4)(5))

## 14 Treatment of certain energy products

- (1) Section 10 of the Finance Act 1993 (c. 34) (application of Hydrocarbon Oil Duties Act 1979 to certain substances) shall be amended as follows.
- (2) In subsection (1) for “mineral oil” substitute “ energy product ”.
- (3) In subsection (2)—
  - (a) after “as the equivalent of hydrocarbon oil” insert “ or road fuel gas ”, and
  - (b) for “as if it fell within such description of hydrocarbon oil” substitute “ as if it fell within such class or description of substance ”.
- (4) In subsection (3)—
  - (a) for “a mineral oil” substitute “ an energy product ”, and
  - (b) for “hydrocarbon oil of the description” substitute “ the substance ”.
- (5) For subsection (4) substitute—
  - “(4) In this section “energy product” means a substance which—

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- (a) is an energy product for the purposes of Council Directive 2003/96/EC restructuring the Community framework for the taxation of energy products and electricity, and
  - (b) is not (apart from as a result of this section) hydrocarbon oil or road fuel gas within the meaning of the 1979 Act.”
- (6) For subsection (6) substitute—
- “(6) Where a duty of excise is charged on a substance under a provision of the 1979 Act by virtue of an order under this section, no duty shall be charged on the substance under any other provision of that Act.”
- (7) For the heading substitute “ Extension of Hydrocarbon Oil Duties Act 1979 to energy products ”.

### *Betting and gaming duties*

## 15 **General betting duty: pool betting**

- (1) The Betting and Gaming Duties Act 1981 (c. 63) shall be amended as follows.
- (2) For section 4 (pool betting, the Tote, &c.) substitute—
- “4 Pool betting on horse and dog races**
- (1) General betting duty shall be charged on pool betting which—
- (a) relates only to horse racing or dog racing, and
  - (b) is not on-course betting.
- (2) But subsection (1) does not apply to pool betting if—
- (a) the promoter is outside the United Kingdom, and
  - (b) it is conducted otherwise than by means of a totalisator situated in the United Kingdom.
- (3) The amount of duty charged under subsection (1) in respect of bets made by means of facilities provided by a person in an accounting period shall be 15 per cent. of the amount of his net stake receipts for the period.”
- (3) In section 5(7) (net stake receipts) and section 5B(4) (liability to pay) for “section 4(1) to (3)” substitute “ section 4(1) ”.
- (4) In section 7B (conditions for charging pool betting duty)—
- (a) in subsection (2)(b) omit “the bet is made otherwise than by means of a totalisator and”, and
  - (b) for subsection (3)(a) and (b) substitute—
    - “(a) made wholly in relation to horse racing or dog racing.”.
- (5) In section 9(2)(a) (prohibitions for protection of revenue)—
- (a) at the end of sub-paragraph (i) add “ or ”, and
  - (b) in sub-paragraph (ii) for “in the case of bets made otherwise than by means of a totalisator,” substitute “ in any case, ”.

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(6) In section 10(2) (definition of pool betting) for the definition of “totalisator odds” substitute—

““totalisator odds” means the odds paid on bets made—

- (a) by means of a totalisator, and
- (b) at the scene of the event to which the bets relate.”

(7) In section 12(4) (interpretation)—

(a) for the definition of “bookmaker” substitute—

““bookmaker” means a person who—

- (a) carries on the business of receiving or negotiating bets or conducting pool betting operations (whether as principal or agent and whether regularly or not), or
- (b) holds himself out or permits himself to be held out, in the course of a business, as a person within paragraph (a);”;

(b) for the definition of “on-course bet” substitute—

““on-course bet” has the meaning given by subsection (4A);” and

(c) omit the definition of “sponsored pool betting”.

(8) After section 12(4) insert—

“(4A) A bet is an on-course bet for the purposes of this Part of this Act if it—

- (a) is made by a person present at a horse or dog race meeting or by a bookmaker,
- (b) is not made through an agent of an individual making the bet or through an intermediary, and
- (c) is made—
  - (i) with a bookmaker present at the meeting, or
  - (ii) by means of a totalisator situated in the United Kingdom, using facilities provided at the meeting by or by arrangement with the person operating the totalisator.”

(9) In paragraph 10(1) of Schedule 1 (betting duties: power of entry) omit the words “, or that facilities for sponsored pool betting on those events are being or are to be provided.”.

(10) The amendments made by this section have effect in relation to accounting periods ending on or after the date of the passing of this Act.

## 16 Rates of gaming duty

(1) For the Table in section 11(2) of the Finance Act 1997 (c. 16) (rates of gaming duty) substitute—

“TABLE

<i>Part of gross gaming yield</i>	<i>Rate</i>
The first £516,500	2.5 per cent.
The next £1,146,500	12.5 per cent.

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The next £1,146,500	20 per cent.
The next £2,007,500	30 per cent.
The remainder	40 per cent.”

(2) This section has effect in relation to accounting periods beginning on or after 1st April 2004.

*Amusement machine licence duty*

**17 Amusement machine licence duty: rates**

(1) In section 23 of the Betting and Gaming Duties Act 1981 (c. 63) (amount of duty payable on amusement machine licence) for the Table in subsection (2) substitute—

“TABLE

<i>(1)</i> <i>Period (in months)</i> <i>for which licence granted</i>	<i>(2)</i> <i>Category</i>	<i>(3)</i> <i>Category</i>	<i>(4)</i> <i>Category</i>	<i>(5)</i> <i>Category</i>	<i>(6)</i> <i>Category</i>
	<i>A</i>	<i>B</i>	<i>C</i>	<i>D</i>	<i>E</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
1	30	80	85	170	230
2	50	155	165	330	445
3	75	225	245	480	650
4	95	295	315	625	845
5	120	355	380	755	1,020
6	140	410	445	875	1,185
7	160	465	500	990	1,340
8	185	515	555	1,095	1,480
9	205	560	600	1,190	1,610
10	225	600	645	1,275	1,725
11	240	635	680	1,350	1,825
12	250	665	715	1,415	1,915”

(2) This section has effect in relation to any amusement machine licence for which an application is received by the Commissioners of Customs and Excise on or after 22nd March 2004.



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### *Vehicle excise duty*

## **18 Fee for payment of duty by credit card**

- (1) The Vehicle Excise and Registration Act 1994 (c. 22) is amended as follows.
- (2) After section 19B insert—

### **“19C Fee for payment of duty by credit card**

- (1) This section applies where—
  - (a) a person applies for a vehicle licence or a trade licence, and
  - (b) the Secretary of State, or an authorised body, accepts a credit card payment in respect of the duty payable on the licence.
- (2) Before issuing the licence, the Secretary of State, or the authorised body, shall require—
  - (a) the applicant, or
  - (b) a person acting on behalf of the applicant,to pay to him, or it, such fee (if any) in respect of the acceptance of the credit card payment as may be prescribed by, or determined in accordance with, regulations.
- (3) In cases of such descriptions as the Secretary of State may, with the consent of the Treasury, determine, the whole or a part of a fee paid under this section may be refunded.
- (4) In this section—

“authorised body” means a body (other than a Northern Ireland department) which is authorised by the Secretary of State to act as his agent for the purpose of issuing licences;

“credit card” has such meaning as may be prescribed by regulations;

“regulations” means regulations made by the Secretary of State.”.
- (3) In section 58 (fees prescribed by regulations) in subsection (1) (fees prescribed by regulations under certain provisions to be of amount approved by Treasury) for “or 14(4)(b)” substitute “, 14(4)(b) or 19C(2) ”.
- (4) This section has effect in relation to licences issued on or after such day as the Secretary of State may by order made by statutory instrument appoint.

#### **Commencement Information**

- I7** S. 18(2)(3) has effect as specified by [The Finance Act 2004, Section 18 \(Appointed Day\) Order 2005 \(S.I. 2005/2356\)](#), [art. 2](#)

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## PART 2

### VALUE ADDED TAX

#### 19 Disclosure of VAT avoidance schemes

- (1) Schedule 2 (which relates to the disclosure of schemes for the avoidance of value added tax) has effect.
- (2) Subsection (1) and that Schedule—
  - (a) come into force on the passing of this Act, so far as is necessary for enabling the making of any orders or regulations by virtue of that Schedule, and
  - (b) otherwise, come into force on such day as the Treasury may by order made by statutory instrument appoint.

#### Commencement Information

**18** S. 19 wholly in force at 1.8.2004; s. 19 in force for specified purposes at Royal Assent, see s. 19(2); s. 19 in force otherwise at 1.8.2004 by S.I. 2004/1934, art. 2

#### 20 Groups

- (1) After section 43A of the Value Added Tax Act 1994 (c. 23) (groups: eligibility) insert—

##### “43AA Power to alter eligibility for grouping

- (1) The Treasury may by order provide for section 43A to have effect with specified modifications in relation to a specified class of person.
- (2) An order under subsection (1) may, in particular—
  - (a) make provision by reference to generally accepted accounting practice;
  - (b) define generally accepted accounting practice for that purpose by reference to a specified document or instrument (and may provide for the reference to be read as including a reference to any later document or instrument that amends or replaces the first);
  - (c) adopt any statutory or other definition of generally accepted accounting practice (with or without modification);
  - (d) make provision by reference to what would be required or permitted by generally accepted accounting practice if accounts, or accounts of a specified kind, were prepared for a person.
- (3) An order under subsection (1) may also, in particular, make provision by reference to—
  - (a) the nature of a person;
  - (b) past or intended future activities of a person;
  - (c) the relationship between a number of persons;
  - (d) the effect of including a person within a group or of excluding a person from a group.

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- (4) An order under subsection (1) may—
- (a) make provision which applies generally or only in specified circumstances;
  - (b) make different provision for different circumstances;
  - (c) include supplementary, incidental, consequential or transitional provision.”

(2) After section 43C of that Act insert—

**“43D Groups: duplication**

- (1) A body corporate may not be treated as a member of more than one group at a time.
- (2) A body which is a member of one group is not eligible by virtue of section 43A to be treated as a member of another group.
- (3) If—
- (a) an application under section 43B(1) would have effect from a time in accordance with section 43B(4), but
  - (b) at that time one or more of the bodies specified in the application is a member of a group (other than that to which the application relates),
- the application shall have effect from that time, but with the exclusion of the body or bodies mentioned in paragraph (b).
- (4) If—
- (a) an application under section 43B(2)(a) would have effect from a time in accordance with section 43B(4), but
  - (b) at that time the body specified in the application is a member of a group (other than that to which the application relates),
- the application shall have no effect.
- (5) Where a body is a subject of two or more applications under section 43B(1) or (2)(a) that have not been granted or refused, the applications shall have no effect.”

(3) In section 43(1) of that Act (effect of treatment as group) for “sections 43A to 43C” substitute “ sections 43A to 43D ”.

(4) In section 43B(1), (2)(a), (5)(a) and (5)(b) and section 43C(3)(b) of that Act (groups: applications for membership and termination of membership) for “under section 43A(1)” substitute “ by virtue of section 43A ”.

(5) In section 97(4) of that Act (orders, &c.: affirmative resolution) after paragraph (c) insert—

- “(ca) an order under section 43AA(1) if as a result of the order any bodies would cease to be eligible to be treated as members of a group;”.

## **21 Reverse charge on gas and electricity supplied by persons outside UK**

(1) After section 9 of the Value Added Tax Act 1994 (c. 23) insert—

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### **“9A Reverse charge on gas and electricity supplied by persons outside the United Kingdom**

- (1) This section applies if relevant goods are supplied—
    - (a) by a person who is outside the United Kingdom,
    - (b) to a person who is registered under this Act,
 for the purposes of any business carried on by the recipient.
  - (2) The same consequences follow under this Act (and particularly so much as charges VAT on a supply and entitles a taxable person to credit for input tax) as if—
    - (a) the recipient had himself supplied the relevant goods in the course or furtherance of his business, and
    - (b) that supply were a taxable supply.
  - (3) But supplies which are treated as made by the recipient under subsection (2) are not to be taken into account as supplies made by him when determining any allowance of input tax in his case under section 26(1).
  - (4) In applying subsection (2) the supply of relevant goods treated as made by the recipient shall be assumed to have been made at a time to be determined in accordance with regulations prescribing rules for attributing a time of supply in cases to which this section applies.
  - (5) “Relevant goods” means gas supplied through the natural gas distribution network, and electricity.
  - (6) Whether a person is outside the United Kingdom is to be determined in accordance with an order made by the Treasury.”
- (2) This section has effect in relation to supplies made on or after 1st January 2005.

## **22 Use of stock in trade cars for consideration less than market value**

- (1) The Value Added Tax Act 1994 (c. 23) is amended as follows.
- (2) In Schedule 6 (valuation: special cases) after paragraph 1 (supply to connected person at less than market value etc) insert—

“1A (1) Where—

- (a) the value of a supply made by a taxable person for a consideration is (apart from this sub-paragraph) less than its open market value,
- (b) the taxable person is a motor manufacturer or motor dealer,
- (c) the person to whom the supply is made is—
  - (i) an employee of the taxable person,
  - (ii) a person who, under the terms of his employment, provides services to the taxable person, or
  - (iii) a relative of a person falling within sub-paragraph (i) or (ii) above,
- (d) the supply is a supply of services by virtue of sub-paragraph (4) of paragraph 5 of Schedule 4 (business goods put to private use etc),

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- (e) the goods mentioned in that sub-paragraph consist of a motor car (whether or not any particular motor car) that forms part of the stock in trade of the taxable person, and
  - (f) the supply is not one to which paragraph 1 above applies,
- the Commissioners may direct that the value of the supply shall be taken to be its open market value.
- (2) A direction under this paragraph shall be given by notice in writing to the person making the supply, but no direction may be given more than 3 years after the time of the supply.
- (3) A direction given to a person under this paragraph in respect of a supply made by him may include a direction that the value of any supply—
- (a) which is made by him after the giving of the notice, or after such later date as may be specified in the notice, and
  - (b) as to which the conditions in paragraphs (a) to (f) of sub-paragraph (1) above are satisfied,
- shall be taken to be its open market value.
- (4) In this paragraph—
- “motor car” means any motor vehicle of a kind normally used on public roads which has three or more wheels and either—
- (a) is constructed or adapted solely or mainly for the carriage of passengers, or
  - (b) has to the rear of the driver’s seat roofed accommodation which is fitted with side windows or which is constructed or adapted for the fitting of side windows,
- but does not include any vehicle excluded by sub-paragraph (5) below;
- “motor dealer” means a person whose business consists in whole or in part of obtaining supplies of, or acquiring from another member State or importing, new or second-hand motor cars for resale with a view to making an overall profit on the sale of them (whether or not a profit is made on each sale);
- “motor manufacturer” means a person whose business consists in whole or in part of producing motor cars including producing motor cars by conversion of a vehicle (whether a motor car or not);
- “relative” means husband, wife, brother, sister, ancestor or lineal descendant;
- “stock in trade” means new or second-hand motor cars (other than second-hand motor cars which are not qualifying motor cars within sub-paragraph (6) below) which are—
- (a) produced by a motor manufacturer or, as the case may require, supplied to or acquired from another member State or imported by a motor dealer, for the purpose of resale, and
  - (b) intended to be sold—
    - (i) by a motor manufacturer within 12 months of their production, or

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- (ii) by a motor dealer within 12 months of their supply, acquisition from another member State or importation, as the case may require,

and such motor cars shall not cease to be stock in trade where they are temporarily put to a use in the motor manufacturer's or, as the case may be, the motor dealer's business which involves making them available for private use.

- (5) The vehicles excluded by this sub-paragraph are—
- (a) vehicles capable of accommodating only one person;
  - (b) vehicles which meet the requirements of Schedule 6 to the Road Vehicles (Construction and Use) Regulations 1986 and are capable of carrying twelve or more seated persons;
  - (c) vehicles of not less than three tonnes unladen weight (as defined in the Table to regulation 3(2) of the Road Vehicles (Construction and Use) Regulations 1986);
  - (d) vehicles constructed to carry a payload (the difference between—
    - (i) a vehicle's kerb weight (as defined in the Table to regulation 3(2) of the Road Vehicles (Construction and Use) Regulations 1986), and
    - (ii) its maximum gross weight (as defined in that Table)),
 

of one tonne or more;
    - (e) caravans, ambulances and prison vans;
    - (f) vehicles constructed for a special purpose other than the carriage of persons and having no other accommodation for carrying persons than such as is incidental to that purpose.
- (6) For the purposes of this paragraph a motor car is a “qualifying motor car” if—
- (a) it has never been supplied, acquired from another member State, or imported in circumstances in which the VAT on that supply, acquisition or importation was wholly excluded from credit as input tax by virtue of an order under section 25(7) (as at 17th March 2004 see article 7 of the Value Added Tax (Input Tax) Order 1992); or
  - (b) a taxable person has elected under such an order for it to be treated as such.

(7) The Treasury may by order amend any of the definitions in this paragraph.”.

- (3) In section 83(v) (appeal to tribunal with respect to any direction under paragraph 1 or 2 of Schedule 6 etc) after “paragraph 1” insert “, 1A”.
- (4) In section 97 (orders, rules and regulations) in subsection (4) (orders to which the House of Commons affirmative procedure in subsection (3) applies) after paragraph (e) insert—
  - “(f) an order under paragraph 1A(7) of Schedule 6;”.
- (5) The amendment made by subsection (2) applies in relation to any use or availability for use on or after the appointed day (whatever the date of the directions mentioned in paragraph 5(4) of Schedule 4 to the Value Added Tax Act 1994 (c. 23)).

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(6) In subsection (5) “the appointed day” means such day as the Treasury may by order made by statutory instrument appoint.

**Commencement Information**

**I9** S. 22(2) has effect as specified by [The Finance Act 2004, section 22\(2\), \(Appointed Day\) Order 2004 \(S.I. 2004/3104\)](#), **art. 2**

**PART 3**

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

**CHAPTER 1**

INCOME TAX AND CORPORATION TAX CHARGE AND RATE BANDS

*Income tax*

**<sup>F4</sup>23 Charge and rates for 2004-05**

.....

**Textual Amendments**

**F4** S. 23 repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), **s. 1034(1), Sch. 3 Pt. 1** (with **Sch. 2**)

**<sup>F5</sup>24 Personal allowances for those aged 65 or more**

.....

**Textual Amendments**

**F5** S. 24 repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), **Sch. 3 Pt. 1** (with **Sch. 2**)

*Corporation tax*

**25 Charge and main rate for financial year 2005**

Corporation tax shall be charged for the financial year 2005 at the rate of 30%.

**<sup>F6</sup>26 Small companies' rate and fraction for financial year 2004**

.....

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**Textual Amendments**

- F6** S. 26 repealed (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

**27 Corporation tax starting rate and fraction for financial year 2004**

For the financial year 2004—

- (a) the corporation tax starting rate shall be 0%, and
- (b) the fraction mentioned in section 13AA of the Taxes Act 1988 (marginal relief for small companies) shall be 19/400ths.

**<sup>F7</sup>28 The non-corporate distribution rate**

.....

**Textual Amendments**

- F7** S. 28 repealed (with effect in accordance with Sch. 26 Pt. 3(1) Note of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 26 Pt. 3\(1\)](#)

*Trusts*

**<sup>F8</sup>29 Special rates of tax applicable to trusts**

.....

**Textual Amendments**

- F8** S. 29 repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

**CHAPTER 2**

CORPORATION TAX: GENERAL

*Transfer pricing*

**<sup>F9</sup>30 Provision not at arm's length: transactions between UK taxpayers etc**

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**Textual Amendments**

- F9** Ss. 30-32 repealed (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), [Sch. 10 Pt. 2](#) (with [Sch. 9 paras. 1-9, 22](#))

**<sup>F9</sup>31 Exemptions for dormant companies and small and medium-sized enterprises**

.....

**Textual Amendments**

- F9** Ss. 30-32 repealed (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), [Sch. 10 Pt. 2](#) (with [Sch. 9 paras. 1-9, 22](#))

**<sup>F9</sup>32 Special applications of paragraph 6 of Schedule 28AA to the Taxes Act 1988**

.....

**Textual Amendments**

- F9** Ss. 30-32 repealed (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), [Sch. 10 Pt. 2](#) (with [Sch. 9 paras. 1-9, 22](#))

*Penalties: temporary relaxation*

**33 Provision not at arm's length: temporary relaxation of liability to penalty**

- (1) This section has effect in relation to—
- (a) the years of assessment 2004-05 and 2005-06, and
  - (b) accounting periods beginning on or after 1st January 2004 and ending on or before 31st March 2006,
- and in the following provisions of this section “relevant period” means any of those years of assessment or accounting periods.
- (2) In this section “records relating to an arm's length provision” means such records as might have been requisite for the purpose of making and delivering a correct and complete return, so far as relating to the determination of the provision asserted to be the arm's length provision for the purposes of Schedule 28AA to the Taxes Act 1988 in a case where that Schedule applies.
- (3) In relation to any relevant period, the following provisions (which provide for penalties for failure to keep and preserve records for purposes of returns)—
- (a) section 12B(5) of the Taxes Management Act 1970 (c. 9), and
  - (b) paragraph 23 of Schedule 18 to the Finance Act 1998 (c. 36),

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do not apply if the records which the person in question fails to keep or preserve are records relating to an arm's length provision.

- (4) In the application of subsection (2) in relation to paragraph 23 of Schedule 18 to the Finance Act 1998—
- (a) for “requisite” substitute “ needed ”, and
  - (b) for “making and delivering” substitute “ delivering ”.
- (5) Where a person delivers an incorrect return for any relevant period, he shall not be regarded as doing so negligently for the purposes of—
- (a) section 95 of the Taxes Management Act 1970, or
  - (b) paragraph 20 of Schedule 18 to the Finance Act 1998,
- by reason only of his failure, or the failure of any other person, to keep or preserve records relating to an arm's length provision.
- (6) For the purposes of section 95A of the Taxes Management Act 1970, where a partner delivers an incorrect partnership return for any relevant period—
- (a) he shall not be regarded as doing so negligently, and
  - (b) his doing so shall not be regarded as attributable to negligent conduct on the part of any relevant partner,
- by reason only of his failure, or the failure of any other person, to keep or preserve records relating to an arm's length provision.
- (7) For the purposes of section 99 of the Taxes Management Act 1970 (penalty for assisting in preparation of incorrect documents) a person shall not be taken to know that a return is incorrect by reason only of his failure, or the failure of any other person, to keep or preserve records relating to an arm's length provision.

### *Thin capitalisation*

## 34 Payments of excessive interest etc

- (1) In section 209 of the Taxes Act 1988 (meaning of “distribution”) the following provisions shall cease to have effect—
- (a) in subsection (2), paragraph (da) (interest etc in respect of securities where issuing company is 75% subsidiary of holder etc and the interest represents an amount that would not have been paid but for a special relationship etc); and
  - (b) subsections (8A) to (8F) (application of section 808A(2) to (4) for purposes of paragraph (da) of subsection (2)).

<sup>F10</sup>(2) .....

<sup>F10</sup>(3) .....

<sup>F11</sup>(4) .....

### Textual Amendments

- F10** S. 34(2)(3) repealed (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), **Sch. 10 Pt. 2** (with Sch. 9 paras. 1-9, 22)

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**F11** S. 34(4) repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 3 Pt. 1](#) (with [Sch. 2 Pts. 1, 2](#))

## **F12<sup>35</sup> Elimination of double counting etc**

.....

### **Textual Amendments**

**F12** S. 36 repealed (1.4.2010) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), [Sch. 10 Pt. 2](#) (with [Sch. 9 paras. 1-9, 22](#))

## **F12<sup>36</sup> Balancing payments and elections to pay tax instead**

.....

### **Textual Amendments**

**F12** S. 36 repealed (1.4.2010) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), [Sch. 10 Pt. 2](#) (with [Sch. 9 paras. 1-9, 22](#))

### *Transfer pricing and thin capitalisation: commencement*

## **37 Commencement and transitional provisions**

- (1) In this section “the amending provisions” means—
  - (a) sections 30 to 32 (transfer pricing);
  - (b) sections 34 to 36 (thin capitalisation);
  - (c) Schedule 5 (provision not at arm’s length: related amendments).
- (2) The amendments made by those provisions have effect in relation to chargeable periods beginning on or after 1st April 2004 (whenever the actual provision, within the meaning of Schedule 28AA to the Taxes Act 1988, is or was made or imposed).
- (3) Where an accounting period of a company begins before, and ends on or after, 1st April 2004, it shall be assumed for the purposes of the amending provisions, the amendments which they make and subsection (2) that that accounting period (“the straddling period”) consists of two separate accounting periods—
  - (a) the first beginning with the straddling period and ending with 31st March 2004, and
  - (b) the second beginning with 1st April 2004 and ending with the straddling period,and the company’s profits and losses shall be computed accordingly for tax purposes.
- (4) Where a period of account of any person within the charge to income tax begins before, and ends on or after, 6th April 2004, it shall be assumed for the purposes of the amending provisions, the amendments which they make and subsection (2) that that period (“the straddling period of account”) consists of two separate periods of account—

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- (a) the first beginning with the straddling period of account and ending with 5th April 2004, and
- (b) the second beginning with 6th April 2004 and ending with the straddling period of account,

and the person's profits and losses shall be computed accordingly for the purposes of income tax.

*Expenses of companies with investment business and insurance companies*

### <sup>F13</sup> 38 Expenses of management: companies with investment business

.....

#### Textual Amendments

- F13** S. 38 repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 3 Pt. 1](#) (with [Sch. 2 Pts. 1, 2](#))

### <sup>F14</sup> 39 Accounting period to which expenses of management are referable

.....

#### Textual Amendments

- F14** S. 39 repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 3 Pt. 1](#) (with [Sch. 2 Pts. 1, 2](#))

### <sup>F15</sup> 40 Expenses of insurance companies

.....

#### Textual Amendments

- F15** S. 40 omitted (17.7.2012) by virtue of [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 247\(l\)\(i\)](#)

### <sup>F16</sup> 41 Related amendments to other enactments

.....

#### Textual Amendments

- F16** S. 41 omitted (17.7.2012) by virtue of [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 247\(l\)\(i\)](#)

### 42 Commencement of sections 38 to 41

- (1) The amendments made by sections 38 to 41 and Schedule 6 have effect for accounting periods beginning on or after 1st April 2004.

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(2) This is subject to the transitional provisions in sections 43 and 44 and that Schedule.

#### **43 Companies with investment business: transitional provisions**

- (1) Any amount which, apart from this subsection, would have fallen to be treated under the old section 75(3) as if it had been disbursed as expenses of management for the first new accounting period of a company shall instead be treated as if it were expenses of management deductible for that period by virtue of the new section 75(9).
- (2) To the extent that any amount was deductible under subsection (1) of section 75 for an old accounting period, the amount shall not again be deductible under that subsection for a new accounting period.
- (3) Subsection (2) is without prejudice to the old section 75(3) and the new section 75(9) (carry forward of unrelieved excess to later accounting period).
- (4) To the extent that an amount—
  - (a) was not deductible under section 75(1) by an investment company for any old accounting period, but
  - (b) would have been deductible under the new section 75(1) for an old accounting period if the amendments made by sections 38 and 39 and Schedule 6 or any order under section 46 (so far as having effect in relation to the first new accounting period) had been in force in relation to that period,the amount shall be deductible under section 75(1) for the first new accounting period of the company.
- (5) Where there is an accounting period that begins before, and ends on or after, 1st April 2004 (“the commencement date”), it shall be assumed, for the purpose of determining the amounts that are deductible for that period under section 75(1) of the Taxes Act 1988, that that accounting period (the “straddling period”) consists of two separate accounting periods—
  - (a) the first beginning with the straddling period and ending with the day preceding the commencement date, and
  - (b) the second beginning with the commencement date and ending with the straddling period,but this is subject to subsection (6).
- (6) In the case of an investment company, subsection (5) does not have effect for the purpose of determining the amounts that are deductible for the straddling period under section 75(1) by virtue of—
  - (a) subsection (3) of the old section 75, or
  - (b) any provision of the Corporation Tax Acts, apart from section 75 and this section.
- (7) Where, for the purposes of section 768B or 768C of the Taxes Act 1988, there is a change in the ownership of a company during the straddling period, then for the purposes of the section in question (and Schedule 28A to that Act), before making any such division as is required by section 768B(4) or 768C(3) of that Act,—
  - (a) the straddling period shall be divided into two parts in accordance with subsection (5), and
  - (b) those parts shall be treated in accordance with that subsection as two separate accounting periods, but

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(c) subsection (6) shall be disregarded,  
and section 768B or 768C of, and Schedule 28A to, the Taxes Act 1988 shall have effect accordingly.

(8) In this section—

“the commencement date” shall be construed in accordance with subsection (5);

“investment company” has the same meaning as in Part 4 of the Taxes Act 1988 (see section 130 of that Act);

“new accounting period” means an accounting period beginning on or after the commencement date;

“old accounting period” means an accounting period beginning before the commencement date;

“the new section 75” means section 75 as it has effect in relation to a new accounting period;

“the old section 75” means section 75 as it has effect (apart from subsection (5) above) in relation to an old accounting period;

“section 75” means section 75 of the Taxes Act 1988.

**F17 44 Insurance companies: transitional provisions**

.....

.....  
**Textual Amendments**  
**F17** S. 44 omitted (17.7.2012) by virtue of [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 247\(1\)\(ii\)](#)

*Amounts reversing expenses of management deducted*

**45 Amounts reversing expenses of management deducted: charge to tax**

- F18**(1) .....
- F18**(2) .....
- F18**(3) .....
- F19**(4) .....

.....  
**Textual Amendments**  
**F18** S. 45(1)-(3) repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 3 Pt. 1](#) (with [Sch. 2 Pts. 1, 2](#))  
**F19** S. 45(4) repealed (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

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*Power to make consequential amendments*

**46 Power to make consequential amendments**

- (1) The Treasury may by order make such amendments, repeals or revocations in any enactment (including an enactment amended by this Act) as appear to them to be appropriate in consequence of sections 38 to 40 and 45 and Schedule 6.
- (2) The power conferred by subsection (1) to make an order includes power—
  - (a) to make different provision for different cases, and
  - (b) to make incidental, consequential, supplemental or transitional provision and savings.
- (3) Any order made under this section on or before 31st December 2004 may make provision having effect in relation to accounting periods ending before the date on which the order is made (but not before 1st April 2004).
- (4) In this section—
  - “enactment” includes an enactment comprised in subordinate legislation;
  - “subordinate legislation” has the same meaning as in the Interpretation Act 1978 (c. 30) (see section 21 of that Act).

*Insurance companies: miscellaneous*

**47 Insurance companies etc.**

Schedule 7 to this Act (which makes provision about insurance companies and companies which have ceased to be insurance companies after a transfer of business) shall have effect.

*Loan relationships and derivative contracts*

**<sup>F20</sup>48 Loan relationships: miscellaneous amendments**

.....

**Textual Amendments**

**F20** S. 48 repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\), s. 1329\(1\), Sch. 3 Pt. 1](#) (with [Sch. 2 Pts. 1, 2](#))

**49 Derivative contracts: miscellaneous amendments**

Schedule 9 to this Act (which makes amendments relating to derivative contracts) shall have effect.

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### *Accounting practice*

#### **F21 50 Generally accepted accounting practice**

.....

##### **Textual Amendments**

**F21** S. 50 repealed (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), Sch. 1 para. 424, **Sch. 3 Pt. 1** (with Sch. 2)

#### **F22 51 Use of different accounting practices within a group of companies**

.....

##### **Textual Amendments**

**F22** S. 51 repealed (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), Sch. 1 para. 425, **Sch. 3 Pt. 1** (with Sch. 2)

#### **52 Amendment of enactments that operate by reference to accounting practice**

- (1) Schedule 10 makes amendments of provisions of the Tax Acts that operate by reference to accounting practice.
- (2) In that Schedule—
  - Part 1 makes amendments relating to loan relationships;
  - Part 2 makes amendments relating to derivative contracts;
  - Part 3 makes amendments relating to intangible fixed assets;
  - Part 4 makes amendments relating to foreign currency accounting.
- (3) The amendments have effect in relation to—
  - (a) periods of account beginning on or after 1st January 2005, <sup>F23</sup>...
  - <sup>F23</sup>(b) .....

##### **Textual Amendments**

**F23** S. 52(3)(b) and word repealed (retrospective to 7.4.2005) by [Finance Act 2005 \(c. 7\)](#), Sch. 4 para. 50, **Sch. 11 Pt. 2(7)**

#### **53 Treatment of expenditure on research and development**

- (1) Expenditure by a company on research and development, if not of a capital nature, is not prevented from being regarded for tax purposes as deductible in computing profits by reason of the fact that for accounting purposes it is brought into account by the company in determining the value of an intangible asset.
- (2) Subsection (1) applies, in particular, for the purposes of—



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section 82A of the Taxes Act 1988 (deduction of expenditure on research and development),  
Schedule 20 to the Finance Act 2000 (c. 17) (R&D tax relief),  
Schedule 12 to the Finance Act 2002 (c. 23) (tax relief for expenditure on research and development), and  
Schedule 13 to that Act (tax relief for expenditure on vaccine research etc.).

- (3) Where expenditure is brought into account by a company for tax purposes in accordance with subsection (1), no deduction may be made in computing for tax purposes the profits of the company in respect of the writing down of so much of the value of an intangible asset as is attributable to that expenditure.
- (4) Expenditure shall not be regarded by virtue of subsection (1) as deductible in computing a company's profits for an accounting period to the extent that—
  - (a) a deduction has been made in respect of it in computing the company's profits for a previous accounting period, or
  - (b) the company has benefited from a tax relief in respect of it for a previous accounting period under any of the provisions specified in subsection (2).
- (5) In this section—

“intangible asset” has the meaning it has for accounting purposes; and  
“research and development” has the meaning given by section 837A of the Taxes Act 1988.
- (6) This section shall come into force in accordance with provision made by the Treasury by order made by statutory instrument.

**Commencement Information**

**I10** S. 53 in force at 1.1.2005 with effect as specified in art. 2 of the commencing S.I. by [S.I. 2004/3268](#), [art. 2](#)

**F24 54 Trading profits etc. from securities: taxation of amounts taken to reserves**

**Textual Amendments**

**F24** S. 54 repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 3 Pt. 1](#) (with [Sch. 2 Pts. 1, 2](#))

*Miscellaneous*

**55 Duty of company to give notice of coming within charge to corporation tax**

- (1) A company must give notice to the Board—
  - (a) of the beginning of its first accounting period, and
  - (b) of the beginning of any subsequent accounting period that does not immediately follow the end of a previous accounting period.

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- (2) The notice required by this section—
- (a) must be in writing;
  - (b) must state when the accounting period began;
  - (c) must contain such other information as may be prescribed;
  - (d) may be given to any officer of the Board; and
  - (e) must be given not later than three months after the beginning of the accounting period.
- (3) “Prescribed” in subsection (2)(c) means prescribed by regulations made by the Board.
- (4) A company that has a reasonable excuse for failing to give notice as required by this section—
- (a) is not to be regarded as having failed to comply with this section until the excuse ceases, and
  - (b) after the excuse ceases is not to be regarded as having failed to comply with this section if the required notice is given without unreasonable delay after the excuse ceases.
- (5) In this section—
- (a) “accounting period” means an accounting period for the purposes of corporation tax;
  - (b) “company” means a body corporate and does not include an unincorporated association or a partnership; and
  - (c) “the Board” means the Commissioners of Inland Revenue.
- (6) In the second column of the Table in section 98 of the Taxes Management Act 1970 (c. 9) (penalty for failure to provide information), at the appropriate place insert— “section 55 of the Finance Act 2004 ”.
- (7) This section applies in relation to accounting periods beginning on or after the day on which this Act is passed.

**[<sup>F25</sup>55A Section 55: exception to duty to give notice**

- (1) A company is not required to give notice under section 55 of the beginning of an accounting period if it reasonably expects that—
- (a) all the income on which it will be chargeable to corporation tax for the period will consist of payments on which it bears income tax by deduction, <sup>F26</sup>...
  - (b) it will have no chargeable gains for the period [<sup>F27</sup>, and
  - (c) in consequence of the deduction of the income tax mentioned in paragraph (a) at the fourth step in paragraph 8 of Schedule 18 to the Finance Act 1998 (calculation of tax payable), the amount of tax payable for the period will be nil.]
- (2) Subsection (3) applies if—
- (a) by reason of subsection (1) a company is not required to give notice under section 55 of the beginning of an accounting period (“the unreported period”), and
  - (b) a subsequent accounting period immediately follows the end of the unreported period.

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- (3) The subsequent accounting period is to be treated for the purposes of section 55 as if it does not immediately follow the end of a previous accounting period.
- (4) If by reason of subsection (1) ceasing to apply a company becomes subject to the duty to give notice under section 55 of the beginning of an accounting period the notice must be given not later than three months after the date on which it becomes subject to that duty.]

#### Textual Amendments

- F25** S. 55A inserted (6.4.2020) by [Finance Act 2019 \(c. 1\)](#), [Sch. 5 paras. 7, 35](#) (with [Sch. 5 para. 36](#))
- F26** Word in s. 55A(1) omitted (6.4.2020) by virtue of [Finance Act 2020 \(c. 14\)](#), [Sch. 6 para. 7\(a\)](#)
- F27** S. 55A(1)(c) and word inserted (6.4.2020) by [Finance Act 2020 \(c. 14\)](#), [Sch. 6 para. 7\(b\)](#)

### **F28** 56 Relief for community amateur sports clubs

#### Textual Amendments

- F28** S. 56 repealed (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

## CHAPTER 3

### CONSTRUCTION INDUSTRY SCHEME

#### *Introduction*

### **57 Introduction**

- (1) This Chapter provides for certain payments (see section 60) under construction contracts to be made under deduction of sums on account of tax (see sections 61 and 62).
- (2) In this Chapter “construction contract” means a contract relating to construction operations (see section 74) which is not a contract of employment but where—
  - (a) one party to the contract is a sub-contractor (see section 58); and
  - (b) another party to the contract (“the contractor”) either—
    - (i) is a sub-contractor under another such contract relating to all or any of the construction operations, or
    - (ii) is a person to whom section 59 applies.
- (3) In sections 60 and 61 “the contractor” has the meaning given by this section.
- (4) In this Chapter—
  - (a) references to registration for gross payment are to registration under section 63(2),

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- (b) references to registration for payment under deduction are to registration under section 63(3), and
  - (c) references to registration under section 63 are to registration for gross payment or registration for payment under deduction.
- (5) To the extent that any provision of this Chapter would not, apart from this subsection, form part of the Tax Acts, it shall be taken to form part of those Acts.

## 58 Sub-contractors

For the purposes of this Chapter a party to a contract relating to construction operations is a sub-contractor if, under the contract—

- (a) he is under a duty to the contractor to carry out the operations, or to furnish his own labour (in the case of a company, the labour of employees or officers of the company) or the labour of others in the carrying out of the operations or to arrange for the labour of others to be furnished in the carrying out of the operations; or
- (b) he is answerable to the contractor for the carrying out of the operations by others, whether under a contract or under other arrangements made or to be made by him.

## 59 Contractors

- (1) This section applies to the following bodies or persons—
- (a) any person carrying on a business which includes construction operations;
  - (b) any public office or department of the Crown (including any Northern Ireland department<sup>[F29]</sup>, the Welsh Assembly Government] and any part of the Scottish Administration);
  - (c) the Corporate Officer of the House of Lords, the Corporate Officer of the House of Commons<sup>[F30]</sup>, the Scottish Parliamentary Corporate Body and the National Assembly for Wales Commission];
  - (d) any local authority;
  - (e) any development corporation or new town commission;
  - (f) the <sup>[F31]</sup>Homes and Communities Agency];
  - <sup>[F32]</sup>(fa) the Greater London Authority in the exercise of its functions relating to housing or regeneration or its new towns and urban development functions;]
  - (g) the Secretary of State if the contract is made by him under section 89 of the Housing Associations Act 1985 (c. 69);
  - (h) the <sup>[F33]</sup>Regulator of Social Housing], a housing association, a housing trust, Scottish Homes, and the Northern Ireland Housing Executive;
  - (i) any NHS trust;
  - (j) any HSS trust;
  - (k) any such body or person, being a body or person (in addition to those falling within paragraphs (b) to (j)) which has been established for the purpose of carrying out functions conferred on it by or under any enactment, as may be designated as a body or person to which this section applies in regulations made by the Board of Inland Revenue;
  - (l) a person carrying on a business at any time if—

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- (i) his average annual expenditure on construction operations in the period of three years ending with the end of the last period of account before that time exceeds £1,000,000, or
  - (ii) where he was not carrying on the business at the beginning of that period of three years, one-third of his total expenditure on construction operations for the part of that period during which he has been carrying on the business exceeds £1,000,000.
- (2) But this section only applies to a body or person falling within subsection (1)(b) to [F34(fa)] or (h) to (k) if—
- (a) in any period of three years, that body or person has had an average annual expenditure on construction operations of more than £1,000,000, and
  - (b) since the condition in paragraph (a) was last satisfied, there have not been three successive years in each of which the body or person has had expenditure on construction operations of less than £1,000,000.

In this subsection “year” means a year ending with 31st March.

- (3) Where section 57(2)(b) begins to apply to a person in any period of account by virtue of his falling within subsection (1)(l), it shall continue to apply to him until he satisfies the Board of Inland Revenue that his expenditure on construction operations has been less than £1,000,000 in each of three successive years beginning in or after that period of account.
- (4) Where the whole or part of a trade is transferred by a company (“the transferor”) to another company (“the transferee”) and [F35Chapter 1 of Part 22 of the Corporation Tax Act 2010] has effect in relation to the transfer, then in determining for the purposes of this section the amount of expenditure incurred by the transferee—
- (a) the whole or, as the case may be, a proportionate part of any expenditure incurred by the transferor at a time before the transfer is to be treated as if it had been incurred at that time by the transferee; and
  - (b) where only a part of the trade is transferred, the expenditure is to be apportioned in such manner as appears to the Board of Inland Revenue, or on appeal to the [F36tribunal], to be just and reasonable.
- (5) In this section—

“development corporation” has the same meaning as in—

- (a) the New Towns Act 1981 (c. 64), or
- (b) the New Towns (Scotland) Act 1968 (c. 16);

“enactment” includes an enactment comprised in an Act of the Scottish Parliament and a provision comprised in Northern Ireland legislation;

“housing association” has the same meaning as in—

- (a) the Housing Associations Act 1985 (c. 69), or
- (b) Part 2 of the Housing (Northern Ireland) Order 1992 (S.I. 1992/ 1725 (N.I. 15));

“housing trust” has the same meaning as in the Housing Associations Act 1985;

“HSS trust” means a Health and Social Services trust established under the Health and Personal Social Services (Northern Ireland) Order 1991 (S.I. 1991/194 (N.I. 1));

“new town commission” has the same meaning as in the New Towns Act (Northern Ireland) 1965 (c. 13 (N.I.));

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“NHS trust” means a National Health Service trust—

- (a) established under [F37]section 25 of the National Health Service Act 2006 or section 18 of the National Health Service (Wales) Act 2006], or
- (b) constituted under section 12A of the National Health Service (Scotland) Act 1978 (c. 29).

(6) In this section references to a body or person include references to an office or department.

(7) The Board of Inland Revenue may make regulations amending this section for the purpose of removing references to bodies which have ceased to exist.

[F38(8) This section is subject to section 73A (designated international organisations: exemption from section 59).]

#### Textual Amendments

- F29** Words in s. 59(1)(b) inserted (25.5.2007) by [The Government of Wales Act 2006 \(Consequential Modifications and Transitional Provisions\) Order 2007 \(S.I. 2007/1388\)](#), art. 1(2), **Sch. 1 para. 107(a)**
- F30** Words in s. 59(1)(c) substituted (25.5.2007) by [The Government of Wales Act 2006 \(Consequential Modifications and Transitional Provisions\) Order 2007 \(S.I. 2007/1388\)](#), art. 1(2), **Sch. 1 para. 107(b)**
- F31** Words in s. 59(1)(f) substituted (1.12.2008) by [Housing and Regeneration Act 2008 \(c. 17\)](#), s. 325(1), **Sch. 8 para. 82**; [S.I. 2008/3068](#), art. 2(1)(b)(3) (with arts. 6-13)
- F32** S. 59(1)(fa) inserted (1.4.2012) by [Localism Act 2011 \(c. 20\)](#), s. 240(2), **Sch. 19 para. 42(2)**; [S.I. 2012/628](#), art. 6(i) (with arts. 9, 11, 14, 15, 17)
- F33** Words in s. 59(1)(h) substituted (1.4.2010) by [Housing and Regeneration Act 2008 \(c. 17\)](#), s. 325(1), **Sch. 9 para. 33**; [S.I. 2010/862](#), art. 2 (with Sch.)
- F34** Word in s. 59(2) substituted (1.4.2012) by [Localism Act 2011 \(c. 20\)](#), s. 240(2), **Sch. 19 para. 42(3)**; [S.I. 2012/628](#), art. 6(i) (with arts. 9, 11, 14, 15, 17)
- F35** Words in s. 59(4) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), **Sch. 1 para. 426** (with Sch. 2)
- F36** Word in s. 59(4)(b) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 420**
- F37** Words in s. 59(5) substituted (1.3.2007) by [National Health Service \(Consequential Provisions\) Act 2006 \(c. 43\)](#), s. 8(2), **Sch. 1 para. 256** (with Sch. 3 Pt. 1)
- F38** S. 59(8) inserted (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. 459** (with Sch. 2)

#### Modifications etc. (not altering text)

- C3** S. 59(1)(h) modified (E.W.) (1.12.2008) by [The Transfer of Housing Corporation Functions \(Modifications and Transitional Provisions\) Order 2008 \(S.I. 2008/2839\)](#), arts. 1(1), 3, **Sch. para. 1** (with art. 6)

*Deductions on account of tax from contract payments to sub-contractors*

## 60 Contract payments

(1) In this Chapter “contract payment” means any payment which is made under a construction contract and is so made by the contractor (see section 57(3)) to—

- (a) the sub-contractor,
- (b) a person nominated by the sub-contractor or the contractor, or

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- (c) a person nominated by a person who is a sub-contractor under another such contract relating to all or any of the construction operations.
- (2) But a payment made under a construction contract is not a contract payment if any of the following exceptions applies in relation to it.
- (3) This exception applies if the payment is treated as earnings from an employment by virtue of Chapter 7 of Part 2 of the Income Tax (Earnings and Pensions) Act 2003 (c. 1) (agency workers).
- (4) This exception applies if the person to whom the payment is made or, in the case of a payment made to a nominee, each of the following persons—
- (a) the nominee,
  - (b) the person who nominated him, and
  - (c) the person for whose labour (or, where that person is a company, for whose employees' or officers' labour) the payment is made,
- is registered for gross payment when the payment is made.
- But this is subject to subsections (5) and (6).
- (5) Where a person is registered for gross payment as a partner in a firm (see section 64), subsection (4) applies only in relation to payments made under contracts under which—
- (a) the firm is a sub-contractor, or
  - (b) where a person has nominated the firm to receive payments, the person who has nominated the firm is a sub-contractor.
- (6) Where a person is registered for gross payment otherwise than as a partner in a firm but he is or becomes a partner in a firm, subsection (4) does not apply in relation to payments made under contracts under which—
- (a) the firm is a sub-contractor, or
  - (b) where a person has nominated the firm to receive payments, the person who has nominated the firm is a sub-contractor.
- (7) This exception applies if such conditions as may be prescribed in regulations made by the Board of Inland Revenue for the purposes of this subsection are satisfied; and those conditions may relate to any one or more of the following—
- (a) the payment,
  - (b) the person making it, and
  - (c) the person receiving it.
- (8) For the purposes of this Chapter a payment (including a payment by way of loan) that has the effect of discharging an obligation under a contract relating to construction operations is to be taken to be made under the contract; and if—
- (a) the obligation is to make a payment to a person (“A”) within paragraph (a) to (c) of subsection (1), but
  - (b) the payment discharging that obligation is made to a person (“B”) not within those paragraphs,
- the payment is for those purposes to be taken to be made to A.

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## 61 Deductions on account of tax from contract payments

- (1) On making a contract payment the contractor (see section 57(3)) must deduct from it a sum equal to the relevant percentage of so much of the payment as is not shown to represent the direct cost to any other person of materials used or to be used in carrying out the construction operations to which the contract under which the payment is to be made relates.
- (2) In subsection (1) “the relevant percentage” means such percentage as the Treasury may by order determine.
- (3) That percentage must not exceed—
  - (a) if the person for whose labour (or for whose employees' or officers' labour) the payment in question is made is registered for payment under deduction, the percentage which is the basic rate for the year of assessment in which the payment is made, or
  - (b) if that person is not so registered, the percentage which is the higher rate for that year of assessment.

## 62 Treatment of sums deducted

- (1) A sum deducted under section 61 from a payment made by a contractor—
  - (a) must be paid to the Board of Inland Revenue, and
  - (b) is to be treated for the purposes of income tax or, as the case may be, corporation tax as not diminishing the amount of the payment.
- (2) If the sub-contractor is not a company a sum deducted under section 61 and paid to the Board is to be treated as being income tax paid in respect of the sub-contractor's relevant profits.

If the sum is more than sufficient to discharge his liability to income tax in respect of those profits, so much of the excess as is required to discharge any liability of his for Class 4 contributions is to be treated as being Class 4 contributions paid in respect of those profits.

- (3) If the sub-contractor is a company—
  - (a) a sum deducted under section 61 and paid to the Board is to be treated, in accordance with regulations, as paid on account of any relevant liabilities of the sub-contractor;
  - (b) regulations must provide for the sum to be applied in discharging relevant liabilities of the year of assessment in which the deduction is made;
  - (c) if the amount is more than sufficient to discharge the sub-contractor's relevant liabilities, the excess may be treated, in accordance with the regulations, as being corporation tax paid in respect of the sub-contractor's relevant profits; and
  - (d) regulations must provide for the repayment to the sub-contractor of any amount not required for the purposes mentioned in paragraphs (b) and (c).
- (4) For the purposes of subsection (3) the “relevant liabilities” of a sub-contractor are any liabilities of the sub-contractor, whether arising before or after the deduction is made, to make a payment to the Inland Revenue in pursuance of an obligation as an employer or contractor.
- (5) In this section—



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- (a) “the sub-contractor” means the person for whose labour (or for whose employees' or officers' labour) the payment is made;
  - (b) references to the sub-contractor’s “relevant profits” are to the profits from the trade, profession or vocation carried on by him in the course of which the payment was received;
  - (c) “Class 4 contributions” means Class 4 contributions within the meaning of the Social Security Contributions and Benefits Act 1992 (c. 4) or the Social Security Contributions and Benefits (Northern Ireland) Act 1992 (c. 7).
- (6) References in this section to regulations are to regulations made by the Board of Inland Revenue.
- (7) Regulations under this section may contain such supplementary, incidental or consequential provision as appears to the Board to be appropriate.

#### *Registration of sub-contractors*

### **63 Registration for gross payment or for payment under deduction**

- (1) If the Board of Inland Revenue are satisfied, on the application of an individual or a company, that the applicant has provided—
- (a) such documents, records and information as may be required by or in accordance with regulations made by the Board, and
  - (b) such additional documents, records and information as may be required by the Inland Revenue in connection with the application,
- the Board must register the individual or company under this section.
- (2) If the Board are satisfied that the requirements of subsection (2), (3) or (4) of section 64 are met, the Board must register—
- (a) the individual or company, or
  - (b) in a case falling within subsection (3) of that section, the individual or company as a partner in the firm in question,
- for gross payment.
- (3) In any other case, the Board must register the individual or company for payment under deduction.

### **64 Requirements for registration for gross payment**

- (1) This section sets out the requirements (in addition to that in subsection (1) of section 63) for an applicant to be registered for gross payment.
- (2) Where the application is for the registration for gross payment of an individual (otherwise than as a partner in a firm), he must satisfy the conditions in Part 1 of Schedule 11 to this Act.
- (3) Where the application is for the registration for gross payment of an individual or a company as a partner in a firm—
- (a) the applicant must satisfy the conditions in Part 1 of Schedule 11 to this Act (if an individual) or Part 3 of that Schedule (if a company), and
  - (b) in either case, the firm itself must satisfy the conditions in Part 2 of that Schedule.

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- (4) Where the application is for the registration for gross payment of a company (otherwise than as a partner in a firm)—
- (a) the company must satisfy the conditions in Part 3 of Schedule 11 to this Act, and
  - (b) if the Board of Inland Revenue have given a direction under subsection (5), each of the persons to whom any of the conditions in Part 1 of that Schedule applies in accordance with the direction must satisfy the conditions which so apply to him.
- (5) Where the applicant is a company, the Board may direct that the conditions in Part 1 of Schedule 11 to this Act or such of them as are specified in the direction shall apply to—
- (a) the directors of the company,
  - (b) if the company is a close company, the persons who are the beneficial owners of shares in the company, or
  - (c) such of those directors or persons as are so specified,
- as if each of them were an applicant for registration for gross payment.
- (6) See also section 65(1) (power of Board to make direction under subsection (5) on change in control of company applying for registration etc).
- (7) In subsection (5) “director” has the meaning given by section 67 of the Income Tax (Earnings and Pensions) Act 2003 (c. 1).

## 65 Change in control of company registered for gross payment

- (1) Where it appears to the Board of Inland Revenue that there has been a change in the control of a company—
- (a) registered for gross payment, or
  - (b) applying to be so registered,
- the Board may make a direction under section 64(5).
- (2) The Board may make regulations requiring the furnishing of information with respect to changes in the control of a company—
- (a) registered for gross payment, or
  - (b) applying to be so registered.

[<sup>F39</sup>(3) In this section references to a change in the control of a company are references to such a change determined in accordance with section 995 of the Income Tax Act 2007.]

### Textual Amendments

**F39** S. 65(3) 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. 460](#) (with [Sch. 2](#))

### Commencement Information

**I11** S. 65(3) has effect as specified by [The Finance Act 2004, Section 77\(1\) and \(7\)](#), ([Appointed Day Order 2006 \(S.I. 2006/3240\)](#)), [art. 2](#)

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## **66 Cancellation of registration for gross payment**

- (1) The Board of Inland Revenue may at any time make a determination cancelling a person's registration for gross payment if it appears to them that—
  - (a) if an application to register the person for gross payment were to be made at that time, the Board would refuse so to register him,
  - (b) he has made an incorrect return or provided incorrect information (whether as a contractor or as a sub-contractor) under any provision of this Chapter or of regulations made under it, or
  - (c) he has failed to comply (whether as a contractor or as a sub-contractor) with any such provision.
- (2) Where the Board make a determination under subsection (1), the person's registration for gross payment is cancelled with effect from the end of a prescribed period after the making of the determination (but see section 67(5)).
- (3) The Board of Inland Revenue may at any time make a determination cancelling a person's registration for gross payment if they have reasonable grounds to suspect that the person—
  - (a) became registered for gross payment on the basis of information which was false,
  - (b) has fraudulently made an incorrect return or provided incorrect information (whether as a contractor or as a sub-contractor) under any provision of this Chapter or of regulations made under it, or
  - (c) has knowingly failed to comply (whether as a contractor or as a sub-contractor) with any such provision.
- (4) Where the Board make a determination under subsection (3), the person's registration for gross payment is cancelled with immediate effect.
- (5) On making a determination under this section cancelling a person's registration for gross payment, the Board must without delay give the person notice stating the reasons for the cancellation.
- (6) Where a person's registration for gross payment is cancelled by virtue of a determination under subsection (1), the person must be registered for payment under deduction.
- (7) Where a person's registration for gross payment is cancelled by virtue of a determination under subsection (3), the person may, if the Board thinks fit, be registered for payment under deduction.
- (8) A person whose registration for gross payment is cancelled under this section may not, within the period of one year after the cancellation takes effect (see subsections (2) and (4) and section 67(5)), apply for registration for gross payment.
- (9) In this section "a prescribed period" means a period prescribed by regulations made by the Board.

## **67 Registration for gross payment: appeals**

- (1) A person aggrieved by—
  - (a) the refusal of an application for registration for gross payment, or
  - (b) the cancellation of his registration for gross payment,

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may by notice appeal <sup>F40</sup>....

- (2) The notice must be given to the Board of Inland Revenue within 30 days after the refusal or cancellation.
- (3) The notice must state the person’s reasons for believing that—
  - (a) the application should not have been refused, or
  - (b) his registration for gross payment should not have been cancelled.
- (4) The jurisdiction of the [<sup>F41</sup>tribunal] on such an appeal [<sup>F42</sup>that is notified to the tribunal] shall include jurisdiction to review any relevant decision taken by the Board of Inland Revenue in the exercise of their functions under section 63, 64, 65 or 66.
- (5) Where a person appeals against the cancellation of his registration for gross payment by virtue of a determination under section 66(1), the cancellation of his registration does not take effect until whichever is the latest of the following—
  - (a) the abandonment of the appeal,
  - (b) the determination of the appeal by the [<sup>F43</sup>tribunal], or
  - (c) the determination of the appeal by the [<sup>F44</sup>Upper Tribunal or a court].

<sup>F45</sup>(6) .....

**Textual Amendments**

**F40** Words in s. 67(1) omitted (1.4.2009) by virtue of [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 421(2)**

**F41** Word in s. 67(4) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 421(3)(a)**

**F42** Words in s. 67(4) inserted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 421(3)(b)**

**F43** Word in s. 67(5)(b) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 421(4)(a)**

**F44** Words in s. 67(5)(c) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 421(4)(b)**

**F45** S. 67(6) omitted (1.4.2009) by virtue of [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 421(5)**

**68 Registration for payment under deduction: cancellation and appeals**

- The Board of Inland Revenue may make regulations providing for—
- (a) the cancellation, in such circumstances as may be prescribed by the regulations, of a person’s registration for payment under deduction;
  - (b) appeals against a refusal to register a person for payment under deduction or the cancellation of such registration.

*Verification, returns [<sup>F46</sup>, security] etc and penalties*

**Textual Amendments**

**F46** Word in [s. 69 cross-heading](#) inserted (12.2.2019) by [Finance Act 2019 \(c. 1\)](#), **s. 82(1)(a)**

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## **69 Verification etc of registration status of sub-contractors**

- (1) The Board of Inland Revenue may make regulations requiring persons who make payments under contracts relating to construction operations, except in prescribed circumstances, to verify with the Board whether a person to whom they are proposing to make—
  - (a) a contract payment, or
  - (b) a payment which would be a contract payment but for section 60(4),is registered for gross payment or for payment under deduction.
- (2) The provision that may be made by regulations under subsection (1) includes provision—
  - (a) for preventing a person from verifying unless such conditions as may be prescribed have been satisfied;
  - (b) as to the period for which the verification remains valid.
- (3) The Board of Inland Revenue may make regulations requiring the Board to notify persons of a prescribed description who make payments under contracts relating to construction operations that—
  - (a) a person registered for gross payment has become registered for payment under deduction or has ceased to be registered under section 63, or
  - (b) a person registered for payment under deduction has become registered for gross payment or has ceased to be registered under section 63.
- (4) The provision that may be made by regulations under subsection (1) or (3) includes provision for a person to be entitled to assume, except in prescribed circumstances, that—
  - (a) a person verified or notified as being registered for gross payment, or
  - (b) a person verified or notified as being registered for payment under deduction, has not subsequently ceased to be so registered.
- (5) In this section “prescribed” means prescribed by regulations under this section.

## **70 Periodic returns by contractors etc**

- (1) The Board of Inland Revenue may make regulations requiring persons who make payments under construction contracts—
  - (a) to make to the Board, at such times and in respect of such periods as may be prescribed, returns relating to such payments;
  - (b) to keep such records as may be prescribed relating to such payments;
  - (c) to provide such information as may be prescribed, at such times as may be prescribed, to persons to whom such payments are made or to such of those persons as are of a prescribed description.
- (2) The provision that may be made by regulations under subsection (1)(a) includes provision requiring, except in such circumstances as may be prescribed,—
  - (a) the person making a return to declare in the return that none of the contracts to which the return relates is a contract of employment;
  - (b) the person making a return to declare in the return that, in the case of each person to whom a payment to which the return relates is made, he has complied with the requirements of any regulations made under section 69(1) (verification of registration status);

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- (c) returns to contain such other information and to be in such form as may be prescribed;
  - (d) a return to be made where no payments have been made in the period to which the return relates.
- (3) The Board of Inland Revenue may make regulations with respect to—
- (a) the production, copying and removal of, and the making of extracts from, any records kept by virtue of any such requirement as is referred to in subsection (1)(b), and
  - (b) rights of access to, or copies of, any such records which are removed.
- (4) Regulations under this section may make provision—
- (a) for or in connection with enabling a person who makes payments under construction contracts to appoint another person (a “scheme representative”) to act on his behalf in connection with any requirements imposed on him by regulations under this section, and
  - (b) as to the rights, obligations or liabilities of scheme representatives.
- (5) In this section “prescribed” means prescribed by regulations under this section.

#### **[<sup>F47</sup>70A Security for payments to HMRC**

- (1) The Commissioners for Her Majesty's Revenue and Customs may by regulations make provision for and in connection with requiring the giving, by prescribed persons and in prescribed circumstances, of security for the payment of amounts that a person is or may be liable to pay to the Commissioners under this Chapter.
- (2) Regulations under this section must provide that security may be required only where an officer of Revenue and Customs considers it necessary for the protection of the revenue.
- (3) Regulations under this section must provide for a right of appeal against—
  - (a) decisions to require security to be given;
  - (b) decisions as to the amount, terms or duration of any security required.
- (4) A person commits an offence if—
  - (a) the person fails to comply with a requirement to give security that is imposed by regulations under this section, and
  - (b) the failure continues for such period as is prescribed.
- (5) A person who commits an offence under subsection (4) is liable on summary conviction—
  - (a) in England and Wales, to a fine;
  - (b) in Scotland or Northern Ireland, to a fine not exceeding level 5 on the standard scale.
- (6) In this section—
  - “prescribed” means prescribed in regulations under this section;
  - “security” includes further security.]

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#### Textual Amendments

**F47** S. 70A inserted (12.2.2019) by [Finance Act 2019 \(c. 1\)](#), s. **82(1)(b)**

### 71 Collection and recovery of sums to be deducted

- (1) The Board of Inland Revenue must make regulations with respect to the collection and recovery, whether by assessment or otherwise, of sums required to be deducted from any payments under section 61.
- (2) The regulations may include any matters with respect to which PAYE regulations may be made.
- (3) Interest required to be paid by the regulations—
  - (a) is to be paid without any deduction of income tax, <sup>F48</sup>...
  - <sup>F48</sup>(b) .....

#### Textual Amendments

**F48** S. 71(3)(b) and preceding word repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 1 para. 570](#), [Sch. 3 Pt. 1](#) (with [Sch. 2 Pts. 1, 2](#))

### 72 Penalties

If a person, for the purpose of becoming registered for gross payment or for payment under deduction,—

- (a) makes any statement, or furnishes any document, which he knows to be false in a material particular, or
- (b) recklessly makes any statement, or furnishes any document, which is false in a material particular,

he shall be liable to a penalty not exceeding £3,000.

*Supplementary*

### 73 Regulations under this Chapter: supplementary

- (1) The Board of Inland Revenue may by regulations make such other provision for giving effect to this Chapter as they consider necessary or expedient.
- (2) The provision that may be made by regulations under subsection (1) includes provision for or in connection with modifying the application of this Chapter in circumstances where—
  - (a) a person acts as the agent of a contractor or sub-contractor;
  - (b) a person's right to payments under a construction contract is assigned or otherwise transferred to another person.
- (3) Regulations under this Chapter may make different provision for different cases.

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- (4) Any power under this Chapter to make regulations authorising or requiring a document (whether or not of a particular description), or any records or information, to be given or requested by or to be sent or produced to the Board of Inland Revenue includes power—
- (a) to authorise the Board to nominate a person who is not an officer of the Board to be the person who on behalf of the Board—
    - (i) gives or requests the document, records or information; or
    - (ii) is the recipient of the document, records or information; and
  - (b) to require the document, records or information, in cases prescribed by or determined under the regulations, to be sent or produced to the address (determined in accordance with the regulations) of the person nominated by the Board to receive it on their behalf.

**[<sup>F49</sup>73A Designated international organisations: exemption from section 59**

- (1) The Treasury may by order designate for the purposes of this section any international organisation of which the United Kingdom is a member.
- (2) Section 59 does not apply to an organisation which is so designated.]

**Textual Amendments**

**F49** S. 73A inserted (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. 461](#) (with [Sch. 2](#))

**74 Meaning of “construction operations”**

- (1) In this Chapter “construction operations” means operations of a description specified in subsection (2), not being operations of a description specified in subsection (3); and references to construction operations—
  - (a) except where the context otherwise requires, include references to the work of individuals participating in the carrying out of such operations; and
  - (b) do not include references to operations carried out or to be carried out otherwise than in the United Kingdom (or the territorial sea of the United Kingdom).
- (2) The following operations are, subject to subsection (3), construction operations for the purposes of this Chapter—
  - (a) construction, alteration, repair, extension, demolition or dismantling of buildings or structures (whether permanent or not), including offshore installations;
  - (b) construction, alteration, repair, extension or demolition of any works forming, or to form, part of the land, including (in particular) walls, roadworks, power-lines, electronic communications apparatus, aircraft runways, docks and harbours, railways, inland waterways, pipe-lines, reservoirs, water-mains, wells, sewers, industrial plant and installations for purposes of land drainage, coast protection or defence;
  - (c) installation in any building or structure of systems of heating, lighting, air-conditioning, ventilation, power supply, drainage, sanitation, water supply or fire protection;



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- (d) internal cleaning of buildings and structures, so far as carried out in the course of their construction, alteration, repair, extension or restoration;
  - (e) painting or decorating the internal or external surfaces of any building or structure;
  - (f) operations which form an integral part of, or are preparatory to, or are for rendering complete, such operations as are previously described in this subsection, including site clearance, earth-moving, excavation, tunnelling and boring, laying of foundations, erection of scaffolding, site restoration, landscaping and the provision of roadways and other access works.
- (3) The following operations are not construction operations for the purposes of this Chapter—
- (a) drilling for, or extraction of, oil or natural gas;
  - (b) extraction (whether by underground or surface working) of minerals and tunnelling or boring, or construction of underground works, for this purpose;
  - (c) manufacture of building or engineering components or equipment, materials, plant or machinery, or delivery of any of these things to site;
  - (d) manufacture of components for systems of heating, lighting, air-conditioning, ventilation, power supply, drainage, sanitation, water supply or fire protection, or delivery of any of these things to site;
  - (e) the professional work of architects or surveyors, or of consultants in building, engineering, interior or exterior decoration or in the laying-out of landscape;
  - (f) the making, installation and repair of artistic works, being sculptures, murals and other works which are wholly artistic in nature;
  - (g) signwriting and erecting, installing and repairing signboards and advertisements;
  - (h) the installation of seating, blinds and shutters;
  - (i) the installation of security systems, including burglar alarms, closed circuit television and public address systems.
- (4) The Treasury may by order made by statutory instrument amend either or both of subsections (2) and (3) by—
- (a) adding,
  - (b) varying, or
  - (c) removing,
- any description of operations.
- (5) No statutory instrument containing an order under subsection (4) shall be made unless a draft of the instrument has been laid before and approved by a resolution of the House of Commons.

## **75 Meaning of “the Inland Revenue” etc and delegation of Board’s functions**

- (1) In this Chapter “the Inland Revenue” means any officer of the Board of Inland Revenue.
- (2) In this Chapter “the Board of Inland Revenue” means the Commissioners of Inland Revenue (as to which, see in particular the Inland Revenue Regulation Act 1890 (c. 21)).
- (3) The Board of Inland Revenue may make regulations providing for any of the following to be done on behalf of the Board—

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- (a) the registration of persons under section 63;
- (b) the giving of directions under section 64(5); and
- (c) the cancellation under section 66 of a person's registration for gross payment.

## 76 Consequential amendments

Schedule 12 to this Act (which makes consequential amendments) has effect.

## 77 Commencement and transitional provision

- (1) This Chapter has effect in relation to payments made on or after the appointed day under contracts relating to construction operations.
- (2) Where a certificate issued to a person under section 561 of the Taxes Act 1988 is in force immediately before the appointed day, the person is to be treated as if, on the appointed day, the Board of Inland Revenue had registered him for gross payment.
- (3) Where a registration card issued to a person in accordance with regulations made under section 566(2A) of the Taxes Act 1988 is in force immediately before the appointed day, the person is to be treated as if, on the appointed day, the Board of Inland Revenue had registered him for payment under deduction.
- (4) Subsection (5) applies in relation to the first payment (“the relevant payment”) made after the appointed day by a person (“C”) to a sub-contractor (“SC”) under a contract relating to construction operations if—
  - (a) before the appointed day, C had made one or more payments to SC under the contract or another such contract,
  - (b) the last of those payments (“the last payment”) was made in the year of assessment in which the relevant payment was made or in either of the two years of assessment before that,
  - (c) at the time of the last payment—
    - (i) a certificate issued to SC under section 561 of the Taxes Act 1988 was in force, or
    - (ii) a registration card issued to SC in accordance with regulations made under section 566(2A) of that Act was in force, and
  - (d) on making the relevant payment, C has no reason to believe that SC—
    - (i) did not become registered for gross payment or (as the case may be) for payment under deduction by virtue of subsection (2) or (3), and
    - (ii) is not still so registered.
- (5) Where this subsection applies, regulations under section 69(1) shall not require C, before making the relevant payment, to verify whether SC is registered for gross payment or for payment under deduction.
- (6) Where subsection (5) applies, C shall be entitled to assume, on making any further payments to SC under a contract relating to construction operations, that SC has not subsequently ceased to be so registered, unless notified to the contrary in accordance with regulations made under section 69(3).
- (7) In this section “the appointed day” means such day as the Treasury may by order appoint.

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- (8) The Treasury may by order make such further supplemental and transitional provision and savings as they think fit in connection with the coming into effect of this Chapter.

## CHAPTER 4

### PERSONAL TAXATION

#### *Taxable benefits*

#### **78 Childcare and childcare vouchers**

- (1) Schedule 13 to this Act contains amendments of the Income Tax (Earnings and Pensions) Act 2003 (c. 1) relating to childcare and childcare vouchers.
- (2) The amendments have effect for the year 2005-06 and subsequent years of assessment.

#### <sup>F50</sup>**79 Exemption for loaned computer equipment**

.....

#### **Textual Amendments**

- F50** S. 79 repealed (with effect in accordance with Sch. 26 Pt. 3(7) Note of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 26 Pt. 3\(7\)](#)

#### **80 Vans**

- (1) Schedule 14 to this Act contains amendments of the Income Tax (Earnings and Pensions) Act 2003 relating to vans.
- (2) The amendments have effect for the year 2005-06 and subsequent years of assessment.

#### **81 Emergency vehicles**

- (1) In the Income Tax (Earnings and Pensions) Act 2003, after section 248 insert—

##### **“248A Emergency vehicles**

- (1) This section applies where—
- (a) an emergency vehicle is made available to a person employed in an emergency service for the person’s private use,
  - (b) the terms on which it is made available prohibit its private use otherwise than when the person is on call or engaged in on-call commuting, and
  - (c) the person does not make private use of it otherwise than in such circumstances.

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- (2) No liability to income tax arises by virtue of Chapter 6 or 10 of Part 3 (taxable benefits: cars, vans etc. and residual liability to charge) in respect of the benefit.
- (3) “Emergency vehicle” means a vehicle which is used to respond to emergencies and which either—
  - (a) has fixed to it a lamp designed to emit a flashing light for use in emergencies, or
  - (b) would have such a lamp fixed to it but for the fact that (if it did) a special threat to the personal physical security of those using it would arise by reason of it being apparent that they were employed in an emergency service.
- (4) The following are “employed in an emergency service”—
  - (a) constables and other persons employed for police purposes,
  - (b) persons employed for the purposes of a fire, or fire and rescue, service, and
  - (c) persons employed in the provision of ambulance or paramedic services.
- (5) The Treasury may by order amend subsection (4).
- (6) “Private use”, in relation to a person, means any use other than for the person’s business travel; and “business travel” has the same meaning as in Chapter 6 of Part 3 (see section 171(1)).
- (7) A person to whom an emergency vehicle is made available is on call when liable, as part of normal duties, to be called on to use the emergency vehicle to respond to emergencies.
- (8) A person to whom an emergency vehicle is made available is engaged in on-call commuting when the person—
  - (a) is using it for ordinary commuting or for travel between two places that is for practical purposes substantially ordinary commuting, and
  - (b) is required to do so in order that it is available for use by the person, as part of normal duties, for responding to emergencies.”.
- (2) In section 236(2)(c) of that Act (mileage allowance and passenger payments: meaning of “company vehicle”), after “vans” insert “and section 248A (emergency vehicles)”.
- (3) This section has effect for the year 2004-05 and subsequent years of assessment.

## **82 European travel expenses of MPs and other representatives**

- (1) The Income Tax (Earnings and Pensions) Act 2003 (c. 1) is amended as follows.
- (2) In section 294 (EU travel expenses of MPs and other representatives) in subsection (1) (exemption from income tax in respect of sums paid to Members of the House of Commons and other representatives in respect of EU travel expenses) for “EU” (in both places) substitute “European”.
- (3) In that section, for subsections (2) to (4) substitute—

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- “(2) “European travel expenses” means the cost of, and any additional expenses incurred in, travelling between the United Kingdom and a relevant European location.
- (3) “Relevant European location” means—
- (a) a European Union institution or agency, or
  - (b) the national parliament of—
    - (i) another member State,
    - (ii) a candidate or applicant country, or
    - (iii) a member State of the European Free Trade Association.
- (4) The Treasury may by order amend subsection (3) by—
- (a) adding a European location,
  - (b) removing a European location, or
  - (c) varying the description of a European location.”.

(4) In the heading of that section, “EU” accordingly becomes “European”.

(5) This section has effect in relation to sums paid in respect of costs or expenses incurred on or after 6th April 2004.

#### *Gift aid*

### **F5183 Giving through the self-assessment return**

.....

#### **Textual Amendments**

**F51** S. 83 repealed (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), Sch. 1 para. 427, **Sch. 3 Pt. 1** (with Sch. 2)

#### *Gifts with a reservation*

### **84 Charge to income tax by reference to enjoyment of property previously owned**

- (1) Schedule 15 (which contains provisions imposing a charge to income tax by reference to benefits received in certain circumstances by a former owner of property) has effect.
- (2) That Schedule has effect for the year 2005-06 and subsequent years of assessment.

#### *Employment-related securities and options*

### **85 Relief where national insurance contributions met by employee**

- (1) Schedule 16 to this Act provides—
- (a) for income tax relief in certain cases where national insurance contributions are met by an employee, and
  - (b) for consequential amendments.

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- (2) This section (and that Schedule) come into force in accordance with provision made by the Treasury by order made by statutory instrument.

**Commencement Information**

**I12** S. 85 in force at 1.9.2004 by S.I. 2004/1945, art. 2

**86 Shares in employee-controlled companies and unconnected companies**

- (1) Each of the provisions of Part 7 of the Income Tax (Earnings and Pensions) Act 2003 (c. 1) (employment income: securities) specified in subsection (2) (exception from charges for certain company shares) is amended in accordance with subsections (3) to (5).
- (2) The provisions are—
- (a) section 429 (restricted securities),
  - (b) section 443 (convertible securities),
  - (c) section 446R (securities acquired for less than market value), and
  - (d) section 449 (post-acquisition benefits from securities).
- (3) In subsection (1) of each of those sections, after paragraph (b) (but before the word “and” where that word features at the end) insert—
- “(ba) subsection (1A) is satisfied.”.
- <sup>F52</sup>(4) . . . . .
- (5) In subsection (4) of sections 429, 443 and 446R, and in subsection (3) of section 449, for the words after “are not” substitute “ employment-related securities. ”; and accordingly omit sections 429(5), 443(5), 446R(5) and 449(4).
- (6) In Chapter 3A of that Part of that Act (securities with artificially depressed market value), after section 446I insert—

**“446IA Disapplication of exceptions from charges**

- (1) Section 429 (exception from charge under section 426 for certain company shares) does not prevent section 426 (restricted securities: chargeable events) applying in relation to an event if section 446E or 446I(1)(a) would have effect in relation to the event.
- (2) Section 443 (exception from charge under section 438 for certain company shares) does not prevent section 438 (convertible securities: chargeable events) applying in relation to an event if section 446G, 446H or 446I(1)(b) would have effect in relation to the event.
- (3) Section 446R (exception from charge under Chapter 3C for certain company shares) does not prevent that Chapter (securities acquired for less than market value) applying in relation to employment-related securities if section 446B would have effect in relation to them.
- (4) Section 449 (exception from charge under Chapter 4 for certain company shares) does not prevent that Chapter (benefits from securities) applying in

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relation to a benefit if section 446I(1)(e) would have effect in relation to the benefit.”.

- (7) In Chapter 3B of that Part of that Act (securities with artificially enhanced market value), after section 446N insert—

**“446NA Disapplication of exceptions from charges**

- (1) None of the provisions specified in subsection (2) (exceptions from charges for certain company shares) apply in relation to employment-related securities if the market value of the employment-related securities at the time of the acquisition has been increased by at least 10% by non-commercial increases within the period of 7 years ending with the acquisition.
- (2) The provisions are—
- (a) section 429 (restricted securities),
  - (b) section 443 (convertible securities),
  - (c) section 446R (securities acquired for less than market value), and
  - (d) section 449 (post-acquisition benefits from securities).
- (3) If section 446L (market value on valuation date increased by more than 10% by non-commercial increases during relevant period) applies in relation to employment-related securities, section 429 does not subsequently apply in relation to the employment-related securities.”.

- (8) This section applies on and after 7th May 2004.

**Textual Amendments**

- F52** S. 86(4) repealed (with effect in accordance with Sch. 11 Pt. 2(1) Note of the amending Act) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), [Sch. 11 Pt. 2\(1\)](#)

**87 Restricted securities with artificially depressed value**

- (1) Section 446E of the Income Tax (Earnings and Pensions) Act 2003 (c. 1) (employee securities with artificially depressed market value: charge on restricted securities) is amended as follows.
- (2) In subsection (1), after “on restricted securities),” insert—
- “(aa) immediately before the employment-related securities are disposed of (in circumstances which do not constitute such an event) or are cancelled without being disposed of,”.
- (3) For subsections (3) to (6) substitute—
- “(3) “The relevant period” is the period beginning—
- (a) if section 425(2) (no charge on acquisition of certain restricted securities or restricted interests in securities) applied in relation to the employment-related securities, 7 years before the acquisition, and
  - (b) in any other case, 7 years before the relevant date,
- and ending with the relevant date.
- (4) “The relevant date” is—

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- (a) in a case within subsection (1)(a), the date on which the chargeable event concerned occurs,
  - (b) in a case within subsection (1)(aa), the date on which the disposal or cancellation concerned occurs, and
  - (c) in a case within subsection (1)(b), the 5th April concerned.
- (5) Where this section applies in a case within subsection (1)(aa) or (b), a chargeable event within section 427(3)(a) (lifting of restrictions) is to be treated as occurring in relation to the employment-related securities on the relevant date.
- (6) In every case where this section applies, subsection (1) of section 428 (amount of charge on restricted securities) applies as if the reference in subsection (2) of that section to what would be the market value of the employment-related securities immediately after the chargeable event but for any restrictions were to what would be their market value at the appropriate time but for the matters to be disregarded.
- (7) “The appropriate time” is—
- (a) in a case within subsection (1)(a) or (b), the time immediately after the chargeable event concerned, and
  - (b) in a case within subsection (1)(aa), the time immediately before the chargeable event concerned.
- (8) “The matters to be disregarded” are—
- (a) any restrictions,
  - (b) the things done as mentioned in subsection (2), and
  - (c) if the employment-related securities are about to be disposed of or cancelled, that fact.
- (9) Where this section applies in a case within subsection (1)(aa), section 428(1) applies with the omission of the reference to OP.
- (10) Where this section applies in a case within subsection (1)(a) and the chargeable event concerned is within section 427(3)(c) (disposal for consideration), section 428 applies with the omission of subsection (9) (case where consideration is less than actual market value).”
- (4) This section applies on and after 7th May 2004.
- (5) But if the employment-related securities were acquired before that date, section 446E of the Income Tax (Earnings and Pensions) Act 2003 (c. 1) does not apply by virtue of the amendment made by subsection (2) of this section unless their market value would be artificially low immediately before the disposal or cancellation if the date on which the relevant period began were the later of—
- (a) that on which it did begin, and
  - (b) 7th May 2004.

## **88 Shares under approved plans and schemes**

- (1) The Income Tax (Earnings and Pensions) Act 2003 is amended as follows.
- (2) Omit section 421G (exclusion from Chapters 2 to 4 of Part 7 of shares awarded or acquired under approved plan or scheme).



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(3) In Chapter 2 of Part 7 (restricted securities), after section 431 insert—

**“431A Shares under approved plan or scheme**

- (1) Where employment-related securities are restricted securities or a restricted interest in securities, the employer and the employee are to be treated as making an election under section 431(1) in relation to the employment-related securities if they are shares, or an interest in shares, to which this subsection applies.
- (2) Subsection (1) applies to—
- (a) shares awarded or acquired under an approved share incentive plan (within the meaning of Chapter 6 of this Part) in circumstances in which (in accordance with section 490) no liability to income tax arises,
  - (b) shares acquired by the exercise of a share option granted under an approved SAYE option scheme (within the meaning of Chapter 7 of this Part) in circumstances in which (in accordance with section 519) no liability to income tax arises,
  - (c) shares acquired by the exercise of a share option granted under an approved CSOP scheme (within the meaning of Chapter 8 of this Part) in circumstances in which (in accordance with section 524) no liability to income tax arises, and
  - (d) shares acquired by the exercise of a qualifying option within the meaning of section 527(4) (enterprise management incentives) in circumstances in which (in accordance with section 530) no liability to income tax arises.”.
- (4) In section 489 (operation of tax advantages in connection with approved share incentive plans), after subsection (3) insert—
- “(4) And those sections do not apply if the main purpose (or one of the main purposes) of the arrangements under which the shares in question are awarded or acquired is the avoidance of tax or national insurance contributions.”.
- (5) In sections 505 and 506 (charge on shares ceasing to be subject to approved share incentive plan), after subsection (4) insert—
- “(4A) Any tax due under subsection (2) or (3) is reduced by the amount or aggregate amount of any tax paid by virtue of Chapter 3B of this Part in relation to the shares.”.
- (6) In section 519(1) (approved SAYE option schemes: no charge in respect of exercise of option) insert at the end “and
- (c) the avoidance of tax or national insurance contributions is not the main purpose (or one of the main purposes) of any arrangements under which the option was granted or is exercised.”.
- (7) In section 524(1) (approved CSOP schemes: no charge in respect of exercise of option) insert at the end “and
- (c) the avoidance of tax or national insurance contributions is not the main purpose (or one of the main purposes) of any arrangements under which the option was granted or is exercised.”.

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- (8) Section 701 (PAYE: meaning of “asset”) is amended as follows.
- (9) In subsection (2)(c)—
- (a) in sub-paragraph (ia), for the words after “employee” substitute “ under a scheme approved under Schedule 4 (approved CSOP schemes) in circumstances in which Condition A or B as set out in section 524(2) or (2A) is met; ”,
  - (b) omit sub-paragraph (ii), and
  - (c) in sub-paragraph (iii), after “1996” insert “ where the avoidance of tax or national insurance contributions is not the main purpose (or one of the main purposes) of any arrangements under which the right was obtained or is exercised ”.
- (10) After subsection (3) insert—
- “(3A) Paragraph (c) of subsection (2) does not apply to shares after their acquisition as mentioned in that paragraph.”.
- (11) This section has effect on and after 18th June 2004 and (so far as it does not relate to the award or acquisition of shares) applies in relation to shares awarded or acquired before that date as well as in relation to those awarded or acquired on or after that date.
- (12) Where section 431A(1) of the Income Tax (Earnings and Pensions) Act 2003 (c. 1) (as inserted by subsection (3)) has effect (by virtue of subsection (11)) in relation to shares acquired before 18th June 2004, it applies in relation to them so as to treat an election under section 431(1) of that Act as made in relation to them on that date.
- (13) For the purposes of the application of Chapter 3B of Part 7 of that Act (securities with artificially enhanced market value) by reason of subsections (2) and (11) in relation to shares acquired before 18th June 2004, section 446O of that Act (meaning of “relevant period”) has effect as if they were acquired on that date.

## **89 Shares acquired on public offer**

- (1) Section 421F of the Income Tax (Earnings and Pensions) Act 2003 (c. 1) (exclusion from Chapters 2 to 4 of Part 7 of shares acquired under terms of offer to the public) is amended as follows.
- (2) In subsection (1), for “Chapters 2 to 4” substitute “ Chapters 2, 3 and 3C ”.
- (3) After that subsection insert—
- “(1A) But subsection (1) does not disapply those Chapters if the main purpose (or one of the main purposes)—
- (a) of the arrangements under which the right or opportunity under which the shares were acquired, or
  - (b) for which the shares are held,
- is the avoidance of tax or national insurance contributions.”.
- (4) This section has effect on and after 18th June 2004 and applies in relation to shares acquired before that date as well as in relation to those acquired on or after that date.
- (5) For the purposes of the application of Chapter 3B of Part 7 of the Income Tax (Earnings and Pensions) Act 2003 (securities with artificially enhanced market value) by reason of subsections (2) and (4) in relation to shares acquired before that date, section 446O

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of that Act (meaning of “relevant period”) has effect as if they were acquired on that date.

## 90 Associated persons etc.

- (1) Part 7 of the Income Tax (Earnings and Pensions) Act 2003 (employment income: securities) is amended as follows.
- (2) In section 421C(2) (meaning of “relevant linked person” for purposes of Chapters 1 to 4), for “are connected or, although not connected, are” substitute “are or have been connected or (without being or having been connected) are or have been ”.
- (3) In section 472(2) (meaning of “relevant linked person” for purposes of Chapter 5), for “are connected or, although not connected, are” substitute “are or have been connected or (without being or having been connected) are or have been ”.
- (4) In section 477(3)(c) (chargeable events in relation to employment-related securities options), for the words after “benefit” substitute “ in connection with the employment-related securities option (other than one within paragraph (a) or (b)). ”
- (5) This section has effect on and after 18th June 2004 and applies in relation to securities, interests and options that were employment-related securities or employment-related securities options on that date (as well as those acquired on or after that date).

### *Miscellaneous*

## <sup>F53</sup>91 Income of spouses: jointly held property

.....

### **Textual Amendments**

- F53** S. 91 repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

## 92 Minor amendments of or connected with ITEPA 2003

Schedule 17 to this Act contains minor amendments of or connected with the Income Tax (Earnings and Pensions) Act 2003 (c. 1).

## CHAPTER 5

### ENTERPRISE INCENTIVES

## 93 Enterprise investment scheme

Schedule 18 (which makes amendments to the enterprise investment scheme) has effect.

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## 94 Venture capital trusts

<sup>F54</sup>(1) .....

<sup>F54</sup>(2) .....

(3) Schedule 19 (which makes amendments relating to venture capital trusts) has effect.

### Textual Amendments

**F54** S. 94(1)(2) repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), **Sch. 3 Pt. 1** (with [Sch. 2](#))

## 95 Corporate venturing scheme

Schedule 20 (which makes amendments relating to the corporate venturing scheme) has effect.

## 96 Enterprise management incentives: subsidiaries

(1) Schedule 5 to the Income Tax (Earnings and Pensions) Act 2003 (enterprise management incentives) is amended as follows.

(2) In paragraph 8 (qualifying companies: introduction) after “having only qualifying subsidiaries (see paragraphs 10 and 11),” insert— “property managing subsidiaries (see paragraphs 11A and 11B),”.

(3) In paragraph 10 (the qualifying subsidiaries requirement) for sub-paragraph (2) substitute—

“(2) In this paragraph “subsidiary” means any company which the company controls, either on its own or together with any person connected with it.

(3) For the purpose of sub-paragraph (2), the question whether a person controls a company is to be determined in accordance with section 416(2) to (6) of ICTA (“control” in the context of close companies).”

(4) In paragraph 11 (meaning of “qualifying subsidiary”)—

(a) in sub-paragraph (2), omit paragraphs (a) to (c),

(b) before paragraph (d) of that sub-paragraph insert—

“(ca) that the subsidiary is a 51% subsidiary of the holding company;”,

(c) in paragraph (d) of that sub-paragraph, after “company” insert “or another of its subsidiaries”.

(d) in paragraph (e) of that sub-paragraph, for “the conditions in paragraphs (a) to” substitute “either of the conditions in paragraphs (ca) and”.

(e) omit sub-paragraph (3),

(f) after sub-paragraph (7) insert—

“(8) Sub-paragraph (9) applies at a time when the subsidiary or another company is in administration or receivership.

(9) The subsidiary is not to be regarded, by reason only of anything done as a consequence of the company concerned being in administration

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or receivership, as having ceased to be a company in relation to which the conditions in sub-paragraph (2) are met if—

- (a) the entry into administration or receivership, and
- (b) everything done as a consequence of the company concerned being in administration or receivership,

is for commercial reasons and is not part of a scheme or arrangement the main purpose (or one of the main purposes) of which is the avoidance of tax.

- (10) Section 312(2A) of ICTA (meaning of being in administration or receivership) applies for the purposes of sub-paragraphs (8) and (9) as it applies for the purposes of Chapter 3 of Part 7 of ICTA (enterprise investment scheme).”.

(5) After paragraph 11 insert—

**11A “The property managing subsidiaries requirement**

- (1) A company is not a qualifying company if it has a property managing subsidiary which is not a qualifying 90% subsidiary of the company (see paragraph 11B).
- (2) “Property managing subsidiary” means a qualifying subsidiary of a company whose business consists wholly or mainly in the holding or managing of land or any property deriving its value from land.
- (3) In sub-paragraph (2) “land” and “property deriving its value from land” have the same meaning as in section 776 of ICTA.

**11B Meaning of “qualifying 90% subsidiary”**

- (1) A company (“the subsidiary”) is a qualifying 90% subsidiary of a company (“the holding company”) if the following conditions are met.
- (2) The conditions are—
  - (a) that the holding company possesses not less than 90% of the issued share capital of, and not less than 90% of the voting power in, the subsidiary;
  - (b) that the holding company would—
    - (i) in the event of a winding up of the subsidiary, or
    - (ii) in any other circumstances,be beneficially entitled to not less than 90% of the assets of the subsidiary which would then be available for distribution to the shareholders of the subsidiary;
  - (c) that the holding company is beneficially entitled to not less than 90% of any profits of the subsidiary which are available for distribution to the shareholders of the subsidiary;
  - (d) that no person other than the holding company has control of the subsidiary; and
  - (e) that no arrangements are in existence by virtue of which any of the conditions in paragraphs (a) to (d) would cease to be met.

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- (3) Sub-paragraphs (4) to (10) of paragraph 11 (but not sub-paragraph (6)(b)) apply in relation to the conditions in sub-paragraph (2) above as they apply in relation to the conditions in sub-paragraph (2) of that paragraph.”.
- (6) The amendments made by this section have effect in relation to any right to acquire shares granted on or after 17th March 2004.

## CHAPTER 6

### EXEMPTION FROM INCOME TAX FOR CERTAIN INTEREST AND ROYALTY PAYMENTS

#### *Introductory*

#### **F5597** **Introductory**

.....

##### **Textual Amendments**

- F55** S. 97 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), Sch. 1 para. 631, [Sch. 3](#) (with [Sch. 2](#))

#### *Exemption from income tax*

#### **F5698** **Exemption from income tax for certain interest and royalty payments**

.....

##### **Textual Amendments**

- F56** S. 98 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), Sch. 1 para. 632, [Sch. 3](#) (with [Sch. 2](#))

#### **F5799** **Permanent establishments and “25% associates”**

.....

##### **Textual Amendments**

- F57** S. 99 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), Sch. 1 para. 633, [Sch. 3](#) (with [Sch. 2](#))

#### *Exemption notices*

#### **F58100** **Interest payments: exemption notices**

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**Textual Amendments**

**F58** S. 100 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), Sch. 1 para. 634, [Sch. 3](#) (with Sch. 2)

*Payment without deduction*

<sup>F59</sup> **101 Payment of royalties without deduction at source**

.....

**Textual Amendments**

**F59** S. 101 repealed (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. 463, [Sch. 3 Pt. 1](#) (with Sch. 2)

<sup>F60</sup> **102 Claim for tax deducted at source from exempt interest or royalty payments**

.....

**Textual Amendments**

**F60** S. 102 repealed (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. 463, [Sch. 3 Pt. 1](#) (with Sch. 2)

*Special relationships and anti-avoidance*

<sup>F61</sup> **103 Special relationships**

.....

**Textual Amendments**

**F61** S. 103 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), Sch. 1 para. 637, [Sch. 3](#) (with Sch. 2)

<sup>F62</sup> **104 Anti-avoidance**

.....

**Textual Amendments**

**F62** S. 104 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), Sch. 1 para. 638, [Sch. 3](#) (with Sch. 2)

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### Supplementary

#### 105 Consequential amendments

- (1) Section 98 of the Taxes Management Act 1970 (c. 9) (special returns etc) is amended as follows.
- (2) In subsection (4A)(b), after “(4D)” insert “, (4DA)”.
- (3) After subsection (4D) insert—
 

“(4DA) A payment is within this subsection if—

  - (a) it is a payment to which section 349(1) of the principal Act (requirement to deduct tax) applies,
  - (b) a company, purporting to rely on section 101 of the Finance Act 2004 (payment of royalties without deduction at source), makes the payment without deduction of tax under section 349(1) of the principal Act, and
  - (c) at the time the payment is made section 98 of the Finance Act 2004 does not apply to the payment and the company—
    - (i) does not believe that that section does so apply, or
    - (ii) if it does so believe, cannot reasonably do so.”
- (4) In section 18 of the Taxes Act 1988 (Schedule D) after subsection (5) insert—
 

“(6) This section is subject to Chapter 6 of Part 3 of the Finance Act 2004 (exemption from income tax for certain interest and royalty payments).”
- (5) In section 349 of the Taxes Act 1988 (certain payments to be made subject to deduction of income tax) after subsection (6) insert—
 

“(7) This section is subject to Chapter 6 of Part 3 of the Finance Act 2004 (exemption from income tax for certain interest and royalty payments).”

#### <sup>F63</sup>106 Transitional provision

.....

#### Textual Amendments

**F63** S. 106 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), Sch. 1 para. 639, [Sch. 3](#) (with [Sch. 2](#))



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## CHAPTER 7

### SAVINGS INCOME: DOUBLE TAXATION ARISING FROM WITHHOLDING TAX

#### *Introductory*

#### **F64 107 Introductory**

.....

##### **Textual Amendments**

**F64** Ss. 107-111 repealed (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 8 para. 62\(a\), Sch. 10 Pt. 1](#) (with Sch. 9 paras. 1-9, 22)

#### *Credit etc for special withholding tax*

#### **F64 108 Income tax credit etc for special withholding tax**

.....

##### **Textual Amendments**

**F64** Ss. 107-111 repealed (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 8 para. 62\(a\), Sch. 10 Pt. 1](#) (with Sch. 9 paras. 1-9, 22)

#### **F64 109 Capital gains tax credit etc for special withholding tax**

.....

##### **Textual Amendments**

**F64** Ss. 107-111 repealed (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 8 para. 62\(a\), Sch. 10 Pt. 1](#) (with Sch. 9 paras. 1-9, 22)

#### **F64 110 Credit under Part 18 of Taxes Act 1988 to be allowed first**

.....

##### **Textual Amendments**

**F64** Ss. 107-111 repealed (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 8 para. 62\(a\), Sch. 10 Pt. 1](#) (with Sch. 9 paras. 1-9, 22)

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### *Computation of income etc*

#### **F64 111 Computation of income etc subject to special withholding tax only**

.....

#### **Textual Amendments**

**F64** Ss. 107-111 repealed (with effect in accordance with s. 381(1) of the amending Act) by Taxation (International and Other Provisions) Act 2010 (c. 8), s. 381(1), Sch. 8 para. 62(a), **Sch. 10 Pt. 1** (with Sch. 9 paras. 1-9, 22)

#### **112 Computation of income etc subject to foreign tax and special withholding tax**

- (1) Section 795 of the Taxes Act 1988 (double taxation relief: computation of income subject to foreign tax) is amended as follows.
- (2) In subsection (1) (remittance basis: grossing up) after “increased by” insert “ — (a) ” and at the end insert—
  - “, and
  - (b) the amount of any special withholding tax levied in respect of the income.”.
- (3) In subsection (2)(a) (other cases: no deduction for foreign tax) after “foreign tax” insert “ or special withholding tax ”.
- (4) After subsection (4) insert—
  - “(5) In this section—
    - (a) “special withholding tax” has the same meaning as in Chapter 7 of Part 3 of the Finance Act 2004 (see section 107(3) of that Act); and
    - (b) references to special withholding tax are to special withholding tax in respect of which a claim has been made under that Chapter.”.
- (5) Section 277 of the Taxation of Chargeable Gains Act 1992 (c. 12) (which applies Chapters 1 and 2 of Part 18 of the Taxes Act 1988 in relation to capital gains tax) is amended as follows.
- (6) After subsection (1) insert—
  - “(1A) Subsection (1B) below applies where—
    - (a) a chargeable gain accrues to a person on a disposal by him of assets in circumstances where the consideration for the disposal consists of or includes an amount of savings income, and
    - (b) special withholding tax is levied in respect of the whole or any part of the consideration for the disposal.
  - (1B) In section 795 of the Taxes Act, as applied by this section, for the reference in subsection (1)(b) to the amount of any special withholding tax levied in respect of the income, there shall be substituted a reference to an amount equal to—

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$$\text{SWT} \times \frac{\text{GUK}}{G - \text{SWT}}$$

where—

SWT is the amount of special withholding tax levied in respect of the whole or the part of the consideration for the disposal,

GUK is the amount of the chargeable gain received in the United Kingdom, and

G is the amount of the chargeable gain accruing to the person on the disposal.

(1C) In subsections (1A) and (1B) above “savings income” and “special withholding tax” have the same meaning as in Chapter 7 of Part 3 of the Finance Act 2004 (see section 107 of that Act); and references to special withholding tax are to special withholding tax in respect of which a claim has been made under that Chapter.”.

### *Certificates to avoid levy of special withholding tax*

#### <sup>F65</sup> 113 Issue of certificate

.....

##### **Textual Amendments**

**F65** S. 113 repealed (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), Sch. 8 para. 62(b), **Sch. 10 Pt. 1** (with Sch. 9 paras. 1-9, 22)

#### <sup>F66</sup> 114 Refusal to issue certificate and appeal against refusal

.....

##### **Textual Amendments**

**F66** S. 114 repealed (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), Sch. 8 para. 62(b), **Sch. 10 Pt. 1** (with Sch. 9 paras. 1-9, 22)

### *SupplementaryM*

#### 115 Supplementary

(1) In section 792 of the Taxes Act 1988 (double taxation relief: interpretation of the credit code) in subsection (1), in the definition of “foreign tax”, at the end insert “ (other than special withholding tax within the meaning of Chapter 7 of Part 3 of the Finance Act 2004) ”.

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- (2) In section 811 of the Taxes Act 1988 (deduction for foreign tax where no credit allowable) in subsection (2), at the end insert “ and to section 111 of the Finance Act 2004 (computation of income subject to special withholding tax) ”.
- (3) In section 278 of the Taxation of Chargeable Gains Act 1992 (c. 12) (allowance for foreign tax) in subsection (1), after “section 277” insert “ and to section 111 of the Finance Act 2004 (computation of chargeable gains subject to special withholding tax) ”.

<sup>F67</sup>(4) .....

#### Textual Amendments

**F67** S. 115(4) repealed (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), Sch. 8 para. 62(c), **Sch. 10 Pt. 1** (with Sch. 9 paras. 1-9, 22)

## CHAPTER 8

### CHARGEABLE GAINS

#### 116 Restriction of gifts relief etc

Schedule 21 (which makes provision for relief under section 165 or 260 of the Taxation of Chargeable Gains Act 1992 (c. 12) not to be available on certain transfers to settlor-interested settlements etc or on transfers of shares etc to companies, and makes minor amendments in sections 79 and 281 of that Act) has effect.

#### 117 Private residence relief

Schedule 22 (which makes provision about private residence relief) has effect.

#### 118 Authorised unit trusts: treatment of umbrella schemes

- (1) The Taxation of Chargeable Gains Act 1992 is amended as follows.
- (2) In section 99(2) (application of Act to unit trust schemes: definitions)—
- (a) in the opening words, after “Subject to subsection (3)” insert “ and section 99A ”; and
  - (b) for paragraph (b) substitute—
    - “(aa) “unit holder” means a person entitled to a share of the investments subject to the trusts of a unit trust scheme;
    - (b) “authorised unit trust” means, as respects an accounting period, a unit trust scheme in the case of which an order under section 243 of the Financial Services and Markets Act 2000 is in force during the whole or part of that period.”
- (3) After that section insert—

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### **“99A Authorised unit trusts: treatment of umbrella schemes**

- (1) In this section an “umbrella scheme” means an authorised unit trust—
- (a) which provides arrangements for separate pooling of the contributions of the participants and the profits or income out of which payments are to be made to them, and
  - (b) under which the participants are entitled to exchange rights in one pool for rights in another,
- and any reference to a part of an umbrella scheme is a reference to such of the arrangements as relate to a separate pool.
- (2) For the purposes of this Act (except subsection (1))—
- (a) each of the parts of an umbrella scheme shall be regarded as an authorised unit trust, and
  - (b) the scheme as a whole shall not be regarded as an authorised unit trust or as any other form of collective investment scheme.
- (3) In this Act, in relation to a part of an umbrella scheme, any reference to a unit holder is to a person for the time being having rights in the separate pool to which the part of the umbrella scheme relates.
- (4) Nothing in subsections (2) or (3) shall prevent—
- (a) gains accruing to an umbrella scheme being regarded as gains accruing to an authorised unit trust for the purposes of section 100(1) (exemption for authorised unit trusts etc);
  - (b) a transfer of business to an umbrella scheme being regarded as a transfer to an authorised unit trust for the purposes of section 139(4) (exclusion of transfers to authorised unit trusts etc);
  - (c) a disposal by a unit holder of units in an umbrella scheme being regarded as a disposal by him of units in an authorised unit trust for the purposes of section 271(1)(j) (exemption for disposal of units in an authorised unit trust which is also an approved personal pension scheme etc).”.
- (4) In section 288 (interpretation)—
- (a) in subsection (1), in the definition of “collective investment scheme”, at the end insert “ (subject to section 99A) ”;
  - (b) in the table in subsection (8) (index of general definitions)—
    - (i) in the first column after “Unit trust scheme” insert “ and “unit holder” ”;
    - (ii) in the second column for “s 99” substitute “ ss 99 and 99A ”.
- (5) The amendments made by this section have effect in relation to years of assessment and accounting periods beginning on or after 1st April 2004.

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## CHAPTER 9

### AVOIDANCE INVOLVING LOSS RELIEF OR PARTNERSHIP

#### *Individuals benefited by film relief*

#### **F68 119 Individuals benefited by film relief**

.....

##### **Textual Amendments**

**F68** Ss. 119-123 repealed (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. 464](#), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

#### **F68 120 “Disposal of a right of the individual to profits arising from the trade”**

.....

##### **Textual Amendments**

**F68** Ss. 119-123 repealed (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. 464](#), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

#### **F68 121 “The losses claimed” and “the individual’s capital contribution to the trade”**

.....

##### **Textual Amendments**

**F68** Ss. 119-123 repealed (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. 464](#), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

#### **F68 122 Computing the chargeable amount**

.....

##### **Textual Amendments**

**F68** Ss. 119-123 repealed (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. 464](#), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

#### **F68 122A Partners: meaning of “capital contribution to the trade”**

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**Textual Amendments**

**F68** Ss. 119-123 repealed (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. 464, **Sch. 3 Pt. 1** (with Sch. 2)

**F68** **123 “Film-related losses” and “non-taxable consideration”**

.....

**Textual Amendments**

**F68** Ss. 119-123 repealed (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. 464, **Sch. 3 Pt. 1** (with Sch. 2)

*Individuals in partnership: restriction of relief*

**F69** **124 Restriction of relief: non-active partners**

.....

**Textual Amendments**

**F69** S. 124 repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), **Sch. 3 Pt. 1** (with Sch. 2)

**F70** **125 Partnerships exploiting films**

.....

**Textual Amendments**

**F70** S. 125 repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), **Sch. 3 Pt. 1** (with Sch. 2)

*Individuals in partnership: exit charge*

**F71** **126 Losses derived from exploiting licence: introductory**

.....

**Textual Amendments**

**F71** Ss. 126-130 repealed (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. 465, **Sch. 3 Pt. 1** (with Sch. 2)

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## <sup>F71</sup> 127 Charge to income tax

.....

### Textual Amendments

**F71** Ss. 126-130 repealed (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. 465, **Sch. 3 Pt. 1** (with Sch. 2)

## <sup>F71</sup> 128 Definitions for purposes of section 127

.....

### Textual Amendments

**F71** Ss. 126-130 repealed (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. 465, **Sch. 3 Pt. 1** (with Sch. 2)

## <sup>F71</sup> 129 Disposals to which section 126 applies

.....

### Textual Amendments

**F71** Ss. 126-130 repealed (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. 465, **Sch. 3 Pt. 1** (with Sch. 2)

## <sup>F71</sup> 130 “A significant amount of time”

.....

### Textual Amendments

**F71** Ss. 126-130 repealed (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. 465, **Sch. 3 Pt. 1** (with Sch. 2)

## *Companies in partnership*

## <sup>F72</sup> 131 Companies in partnership

.....

### Textual Amendments

**F72** Ss. 131-133 omitted (retrospective and with effect in accordance with Sch. 24 paras. 12, 13-16 to the amending Act) by virtue of [Finance Act 2009 \(c. 10\)](#), **Sch. 24 paras. 8(b), 12**



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## <sup>F72</sup> 132 Companies in partnership: supplementary

.....

### Textual Amendments

- F72** Ss. 131-133 omitted (retrospective and with effect in accordance with Sch. 24 paras. 12, 13-16 to the amending Act) by virtue of [Finance Act 2009 \(c. 10\)](#), [Sch. 24 paras. 8\(b\)](#), 12

## <sup>F72</sup> 133 Relationship with chargeable gains

.....

### Textual Amendments

- F72** Ss. 131-133 omitted (retrospective and with effect in accordance with Sch. 24 paras. 12, 13-16 to the amending Act) by virtue of [Finance Act 2009 \(c. 10\)](#), [Sch. 24 paras. 8\(b\)](#), 12

## CHAPTER 10

### AVOIDANCE: MISCELLANEOUS

## 134 Finance leasebacks

- (1) After section 228 of the Capital Allowances Act 2001 (c. 2) (sale and leaseback: election) insert—

*“Finance leaseback: parties' income and profits*

### **228A Application of sections 228B to 228E**

- (1) Sections 228B to 228E apply where—
- (a) plant or machinery is the subject of a sale and finance leaseback for the purposes of section 221, and
  - (b) section 222 (restriction of disposal value) applies.
- (2) Sections 228B to 228D also apply, with the modifications set out in section 228F, where plant or machinery is the subject of a lease and finance leaseback (as defined in section 228F).

### **228B Lessee's income or profits: deductions**

- (1) For the purpose of income tax or corporation tax, in calculating the lessee's income or profits for a period of account the amount deducted in respect of amounts payable under the leaseback may not exceed the permitted maximum.
- (2) The permitted maximum is the total of—
- (a) finance charges shown in the accounts, and

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- (b) depreciation, taking the value of the plant or machinery at the beginning of the leaseback to be the restricted disposal value.
- (3) In relation to a period of account during which the leaseback terminates, the permitted maximum shall also include an amount calculated in accordance with subsection (4).
- (4) The calculation is—

$$\text{Current Book Value} \times \frac{\text{Original Consideration}}{\text{Original Book Value}}$$

where—

“Current Book Value” means the net book value of the leased plant or machinery immediately before the termination,

“Original Consideration” means the consideration payable to S for entering into the relevant transaction, and

“Original Book Value” means the net book value of the leased plant or machinery at the beginning of the leaseback.

#### **228C Lessee’s income or profits: termination of leaseback**

- (1) Subsection (2) applies where the leaseback terminates.
- (2) For the purpose of the calculation of income tax or corporation tax, the income or profits of the lessee from the relevant qualifying activity for the period in which the termination occurs shall be increased by an amount calculated in accordance with subsection (3).
- (3) The calculation is—

$$\text{Net Consideration} \times \frac{\text{Current Book Value}}{\text{Original Book Value}}$$

where—

“Net Consideration” means—

- (a) the consideration payable to S for entering into the relevant transaction, minus
- (b) the restricted disposal value,

“Current Book Value” means the net book value of the leased plant or machinery immediately before the termination, and

“Original Book Value” means the net book value of the leased plant or machinery at the beginning of the leaseback.

- (4) In this section “relevant qualifying activity” means the qualifying activity for the purposes of which the leased plant or machinery was used immediately before the termination.

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- (5) Section 228B has no effect on the treatment for the purposes of income tax or corporation tax of amounts received by way of refund on the termination of a leaseback of amounts payable under it.
- (6) In subsection (5), “amounts received by way of refund” includes any amount that would be so received in respect of the lessee’s interest under the leaseback if any amounts due to the lessor under the leaseback were disregarded.

### **228D Lessor’s income or profits**

- (1) This section applies in relation to the calculation of the lessor’s income or profits for a period of account for the purpose of income tax or corporation tax.
- (2) Where—
  - (a) an amount receivable in respect of the lessor’s interest under the leaseback falls to be taken into account in that calculation, and
  - (b) that amount is reduced by an amount due to the lessee under the leaseback,that reduction shall be disregarded when taking the amount receivable into account.
- (3) The amounts receivable in respect of the lessor’s interest under the leaseback that fall to be taken into account in that calculation may be disregarded to the extent that they exceed the permitted threshold (whether or not subsection (2) applies).
- (4) The permitted threshold is the total of—
  - (a) gross earnings, and
  - (b) the allowable proportion of the capital repayment.
- (5) In subsection (4)(a) “gross earnings” means the amount shown in the lessor’s accounts in respect of the lessor’s gross earnings under the leaseback.
- (6) In subsection (4)(b) “allowable proportion of the capital repayment” means the amount obtained by this calculation—

$$\text{Restricted Disposal Value} \times \frac{\text{Investment Reduction}}{\text{Net Investment}}$$

where—

“Investment Reduction For Period” means the amount shown in the lessor’s accounts in respect of the reduction in net investment in the leaseback, and

“Net Investment” means the amount shown in the lessor’s accounts as the lessor’s net investment in the leaseback at the beginning of its term.

- (7) This section does not apply to a leaseback if the lessee is a lessee by way of an assignment made before 17 March 2004.

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### **228E Lessor's income or profits: termination of leaseback**

- (1) Subsection (2) applies where—
  - (a) the leaseback terminates,
  - (b) the lessor disposes of the plant or machinery, and
  - (c) the amount of the disposal value required to be brought into account because of that disposal is limited by section 62.
- (2) For the purpose of income tax or corporation tax, in calculating the lessor's income or profits for the period in which the termination occurs the amount deducted in respect of any amount refunded to the lessee may not exceed the amount to which the disposal value is limited by section 62.

### **228F Lease and finance leaseback**

- (1) Sections 228B, 228C and 228D apply, with the following modifications, where plant or machinery is the subject of a lease and finance leaseback.
- (2) In determining the permitted maximum for the purposes of section 228B, depreciation shall be disregarded.
- (3) In the calculation under section 228C(3), the amount of the consideration referred to in subsection (6)(b) of this section shall be substituted for the Net Consideration.
- (4) In determining the permitted threshold for the purposes of section 228D, the allowable proportion of the capital repayment shall be disregarded.
- (5) Plant or machinery is the subject of a lease and finance leaseback if—
  - (a) a person (“S”) leases the plant or machinery to another (“B”),
  - (b) after the date of that transaction, the use of the plant or machinery falls within sub-paragraph (i), (ii) or (iii) of section 221(1)(b), and
  - (c) it is directly as a consequence of having been leased under a finance lease that the plant or machinery is available to be so used after that date.
- (6) For the purposes of subsection (5), S leases the plant or machinery to B only if—
  - (a) S grants B rights over the plant or machinery,
  - (b) consideration is given for that grant, and
  - (c) S is not required to bring all of that consideration into account under this Part.
- (7) Plant or machinery is not the subject of a lease and finance leaseback for the purposes of this section in any case where the condition in subsection (6)(c) is met only because of an election under section 199 made before 18 May 2004.
- (8) In the application of sections 228B to 228D in relation to a lease and finance leaseback—
  - (a) references to the lessee are references to the person referred to as S in this section, and

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- (b) references to the lessor are references to the person referred to as B in this section or, where appropriate, to an assignee of that person.

### **228G Leaseback not accounted for as finance lease in accounts of lessee**

- (1) Sections 228B and 228C are subject to this section in their application in relation to a leaseback that is not accounted for as a finance lease in the accounts of the lessee.
- (2) Subsection (3) applies where the leaseback is accounted for as a finance lease in the accounts of a person connected with the lessee; and in that subsection “relevant calculation” means the calculation of—
  - (a) the permitted maximum for the purposes of section 228B, or
  - (b) the amount by which the income or profits of the lessee are to be increased in accordance with section 228C.
- (3) Where an amount that falls to be used for the purposes of a relevant calculation—
  - (a) cannot be ascertained by reference to the lessee’s accounts because the leaseback is not accounted for as a finance lease in those accounts, but
  - (b) can be ascertained by reference to the connected person’s accounts for one or more periods,that amount as ascertained by reference to the connected person’s accounts shall be used for the purposes of the relevant calculation.
- (4) Subsections (5) and (6) apply in a case where the leaseback is not accounted for as a finance lease in the accounts of a person connected with the lessee.
- (5) Sections 228B and 228C do not apply in relation to the leaseback.
- (6) If the term of the leaseback begins on or after 18 May 2004 then, for the purposes of income tax or corporation tax, the income or profits of the lessee from the relevant qualifying activity for the period of account during which the term of the leaseback begins shall be increased by—
  - (a) the net consideration for the purposes of section 228C(3) (in the case of a sale and finance leaseback), or
  - (b) the consideration referred to in section 228F(6)(b) (in the case of a lease and finance leaseback).
- (7) For the purposes of this section the leaseback is accounted for as a finance lease in a person’s accounts if—
  - (a) the leaseback falls, under generally accepted accounting practice, to be treated in that person’s accounts as a finance lease or loan, or
  - (b) in a case where the leaseback is comprised in other arrangements, those arrangements fall, under generally accepted accounting practice, to be so treated.

### **228H Sections 228A to 228G: supplementary**

- (1) In sections 228A to 228G—
  - “lessee” does not include a person who is lessee by way of an assignment;

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the “net book value” of leased plant or machinery means the book value of the plant or machinery having regard to any relevant entry in the lessee’s accounts, but—

- (a) also having regard to depreciation up to the time in question, and
  - (b) disregarding any revaluation gains or losses and any impairments;
- “restricted disposal value” means the disposal value under section 222;

“termination” in relation to a leaseback includes (except in section 228E)—

- (a) the assignment of the lessee’s interest,
- (b) the making of any arrangements (apart from an assignment of the lessee’s interest) under which a person other than the lessee becomes liable to make some or all payments under the leaseback, and
- (c) a variation as a result of which the leaseback ceases to be a finance lease.

- (2) In a case where accounts drawn up are not correct accounts, or no accounts are drawn up—
  - (a) the provisions of sections 228A to 228G apply as if correct accounts had been drawn up, and
  - (b) amounts referred to in any of those sections as shown in accounts are those that would have been shown in correct accounts.
- (3) In a case where accounts are drawn up in reliance upon amounts derived from an earlier period of account for which correct accounts were not drawn up, or no accounts were drawn up, amounts referred to in sections 228A to 228G as shown in the accounts for the later period are those that would have been shown if correct accounts had been drawn up for the earlier period.
- (4) In subsections (2) and (3) “correct accounts” means accounts drawn up in accordance with generally accepted accounting practice.

### **228J Plant or machinery subject to further operating lease**

- (1) This section applies where—
  - (a) plant or machinery is the subject of—
    - (i) a sale and finance leaseback, or
    - (ii) a lease and finance leaseback, and
  - (b) some or all of the plant or machinery becomes, while the subject of the leaseback, also the subject of a lease in relation to which the following conditions are met—
    - (i) the term of the lease begins on or after 18 May 2004;
    - (ii) S, or a person connected with S, is the lessee under the lease;
    - (iii) the lease is not accounted for as a finance lease in the accounts of the lessee.
- (2) For the purpose of income tax or corporation tax, in calculating the lessee’s income or profits for a period of account the amount deducted in respect of amounts payable under the operating lease shall not exceed the relevant amount.

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- (3) Subsections (4) and (5) apply in relation to the calculation of the lessor's income or profits for a period of account for the purpose of income tax or corporation tax.
- (4) Where—
  - (a) an amount receivable in respect of the lessor's interest under the operating lease falls to be taken into account in that calculation, and
  - (b) that amount is reduced by an amount due to the lessee under the operating lease,that reduction shall be disregarded when taking the amount receivable into account.
- (5) The amounts receivable in respect of the lessor's interest under the operating lease that fall to be taken into account in that calculation may be disregarded to the extent that they exceed the relevant amount (whether or not subsection (4) applies).
- (6) Where only some of the plant or machinery is the subject of the operating lease, subsections (2) to (5) shall apply subject to such apportionments as may be just and reasonable.
- (7) For the purposes of this section a lease is accounted for as a finance lease in a person's accounts if—
  - (a) the lease falls, under generally accepted accounting practice, to be treated in that person's accounts as a finance lease or loan, or
  - (b) in a case where the lease is comprised in other arrangements, those arrangements fall, under generally accepted accounting practice, to be so treated.
- (8) In this section—
  - “lease and finance leaseback” has the meaning given in section 228F;
  - “lessee” means the lessee under the operating lease;
  - “lessor” means the lessor under the operating lease;
  - “operating lease” means the lease referred to in subsection (1)(b);
  - “relevant amount” means an amount equal to the permitted maximum under section 228B as it applies in relation to the leaseback.”.
- (2) In sections 228A to 228J of the Capital Allowances Act 2001 (c. 2) (as inserted by subsection (1) above), a reference to a provision of that Act includes a reference to an equivalent provision of the Capital Allowances Act 1990 (c. 1) (with any necessary modification).
- (3) This section applies to income tax and corporation tax chargeable in relation to periods that end on or after 17 March 2004.
- (4) Schedule 23 contains transitional provision.

<sup>F73</sup>**135 Rent factoring of leases of plant or machinery**

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**Textual Amendments**

**F73** S. 135 omitted (with effect in accordance with Sch. 25 para. 10 of the amending Act) by virtue of Finance Act 2009 (c. 10), **Sch. 25 para. 9(3)(d)**

**136 Manufactured dividends**

Schedule 24 to this Act (which makes provision in relation to cases where payments are or have been made, or treated as made, which are representative of dividends on shares of companies resident in the United Kingdom) has effect.

**137 Manufactured payments under arrangements having an unallowable purpose**

- F74(1) .....
- F75(2) .....
- F76(3) .....
- F76(4) .....
- F76(5) .....
- F76(6) .....
- F76(7) .....

**Textual Amendments**

- F74** S. 137(1) repealed (with effect in accordance with s. 1184(1) of the amending Act) by Corporation Tax Act 2010 (c. 4), s. 1184(1), **Sch. 3 Pt. 1** (with Sch. 2)
- F75** S. 137(2) repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)
- F76** S. 137(3)-(7) repealed (with effect in accordance with s. 1184(1) of the amending Act) by Corporation Tax Act 2010 (c. 4), s. 1184(1), **Sch. 3 Pt. 1** (with Sch. 2)

<sup>F77</sup>**138 Gilt strips**

.....

**Textual Amendments**

**F77** S. 138 repealed (6.4.2005) by Income Tax (Trading and Other Income) Act 2005 (c. 5), s. 883(1), **Sch. 3** (with Sch. 2)

<sup>F78</sup>**139 Gifts of shares, securities and real property to charities etc**

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**Textual Amendments**

**F78** S. 139 repealed (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), **Sch. 3 Pt. 1** (with Sch. 2)

**<sup>F79</sup>140 Life policies etc.: restriction of corresponding deficiency relief**

.....

**Textual Amendments**

**F79** S. 140 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), **Sch. 3** (with Sch. 2)

**CHAPTER 11**

MISCELLANEOUS

*Reliefs for business*

**<sup>F80</sup>141 Relief for research and development: software and consumable items**

.....

**Textual Amendments**

**F80** S. 141 repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

**<sup>F81</sup>142 Temporary increase in amount of first-year allowances for small enterprises**

.....

**Textual Amendments**

**F81** S. 142 omitted (21.7.2008) by virtue of [Finance Act 2008 \(c. 9\)](#), s. 75(4)(a)

**<sup>F82</sup>143 Deduction for expenditure by landlords on energy-saving items**

.....

**Textual Amendments**

**F82** S. 143 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), **Sch. 3** (with Sch. 2)

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**144 Lloyd’s names: conversion to limited liability underwriting**

Schedule 25 to this Act (which makes provision for certain reliefs to be available where a member of Lloyd’s converts to limited liability underwriting) has effect.

*Offshore matters*

**145 Offshore funds**

- (1) The provisions of the Taxes Act 1988 relating to offshore funds are amended in accordance with Schedule 26 to this Act.
- (2) Except as otherwise provided—
  - (a) the amendments have effect for account periods (within the meaning of Chapter 5 of Part 17 of that Act) ending on or after the day on which this Act is passed, and
  - (b) regulations made under a power conferred by virtue of any of the amendments may be made so as to have effect in relation to any such account period.

**146 Meaning of “offshore installation”**

Schedule 27 to this Act (which makes amendments relating to the meaning of “offshore installation”) has effect.

*Health*

**147 Immediate needs annuities**

- F83 (1) .....
- F83 (2) .....
- F84 (3) .....
- F85 (4) .....
- F86 (5) .....
- F86 (6) .....

**Textual Amendments**

**F83** S. 147(1)(2) repealed (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 27 Pt. 2\(7\)](#)

**F84** S. 147(3) repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with [Sch. 2](#))

**F85** S. 147(4) repealed (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 27 Pt. 2\(7\)](#)

**F86** S. 147(5)(6) repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with [Sch. 2](#))

<sup>F87</sup>**148 Corporation tax: health service bodies**

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### Textual Amendments

- F87** S. 148 repealed (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), **Sch. 3 Pt. 1** (with Sch. 2)

## PART 4

### PENSION SCHEMES ETC

#### Modifications etc. (not altering text)

- C4** Pt. 4 modified (N.I.) (1.4.2006) by [The Firemens Pension Scheme Order \(Northern Ireland\) 2006 \(S.R. 2006/210\)](#), arts. 1(2), **103**
- C5** Pt. 4 modified (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, **9**, **10**
- C6** Pt. 4 modified (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, **12**
- C7** Pt. 4 modified (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, **13(5)**
- C8** Pt. 4 modified (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, **26**
- C9** Pt. 4 modified (31.12.2007) by [Police and Justice Act 2006 \(c. 48\)](#), s. 53(1), **Sch. 3 para. 7**; S.I. 2007/3203, art. 3(b)
- C10** Pt. 4 modified (1.7.2008) (N.I.) (with effect in accordance with reg. 1 of the amending Rule) by [The Health and Social Care \(Pension Scheme\) Regulations \(Northern Ireland\) 2008 \(S.R. 2008/256\)](#), regs. 1, **124(1)** (with regs. 134, 258)
- C11** Pt. 4 modified by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), **reg. 5A** (as inserted (6.4.2006) by S.I. 2008/2990, arts. 1(1), 3)
- C12** Pt. 4 applied (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), **Sch. 35 para. 18**
- C13** Pt. 4 modified (19.7.2011) by [Finance Act 2011 \(c. 11\)](#), **Sch. 18 para. 14(3)**
- C14** Pt. 4 applied (with modifications) (with application in accordance with Sch. 22 para. 1 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), **Sch. 22 para. 1(2)**
- C15** Pt. 4 modified (17.7.2014) by [Finance Act 2014 \(c. 26\)](#), Sch. 6 para. 1(2)(3)
- C16** Pt. 4: power to amend conferred (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), s. 4(3)
- C17** Pt. 4 modified (15.9.2016) by [Finance Act 2016 \(c. 24\)](#), **Sch. 4 para. 1**
- C18** Pt. 4 modified (15.9.2016) by [Finance Act 2016 \(c. 24\)](#), **Sch. 4 para. 9(2)**

## CHAPTER 1

### INTRODUCTION

#### *Introductory*

#### **149 Overview of Part 4**

- (1) This Part contains tax provision about pension schemes and other similar schemes.
- (2) This Chapter defines some basic concepts.

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(3) As for the rest of this Part—

Chapter 2 is about the registration and de-registration of pension schemes,  
 Chapter 3 is about the payments that may be made by registered pension schemes and related matters,  
 Chapter 4 deals with tax reliefs and exemptions in connection with registered pension schemes,  
 Chapter 5 imposes tax charges in connection with registered pension schemes,  
 Chapter 6 is about some schemes that are not registered pension schemes,  
 Chapter 7 makes provision about compliance, and  
 Chapter 8 contains interpretation and other supplementary provisions.

*Main concepts*

**150 Meaning of “pension scheme”**

- (1) In this Part “pension scheme” means a scheme or other arrangements, comprised in one or more instruments or agreements, having or capable of having effect so as to provide benefits to or in respect of persons—
  - (a) on retirement,
  - (b) on death,
  - (c) on having reached a particular age,
  - (d) on the onset of serious ill-health or incapacity, or
  - (e) in similar circumstances.
- (2) A pension scheme is a registered pension scheme for the purposes of this Part at any time if it is at that time registered under Chapter 2.
- (3) In this Part “public service pension scheme” means a pension scheme—
  - (a) established by or under any enactment,
  - (b) approved by a relevant governmental or Parliamentary person or body, or
  - (c) specified in an order made by the Treasury.
- (4) In subsection (3) “a relevant governmental or Parliamentary person or body” means—
  - (a) a Minister of the Crown or a government department,
  - (b) the Scottish Parliament, the Scottish Parliamentary Corporate Body or a member of the Scottish Executive,
  - (c) the National Assembly for Wales<sup>F88</sup>, the National Assembly for Wales Commission or the Welsh Ministers], or
  - (d) the Northern Ireland Assembly, the Northern Ireland Assembly Commission, a Northern Ireland Minister, the head of a Northern Ireland department or a Northern Ireland department.
- (5) In this Part “occupational pension scheme” means a pension scheme established by an employer or employers and having or capable of having effect so as to provide benefits to or in respect of any or all of the employees of—
  - (a) that employer or those employers, or
  - (b) any other employer,
 (whether or not it also has or is capable of having effect so as to provide benefits to or in respect of other persons).

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[<sup>F89</sup>(5A) This Part applies in relation to certain pension schemes that are not occupational pension schemes as it applies in relation to occupational pension schemes (see section 274B and paragraph 1(4A) of Schedule 36).]

- (6) In this Part “sponsoring employer”, in relation to an occupational pension scheme, means the employer, or any of the employers, to or in respect of any or all of whose employees the pension scheme has, or is capable of having, effect so as to provide benefits.
- (7) In this Part “overseas pension scheme” means a pension scheme (other than a registered pension scheme) which—
- (a) is established in a country or territory outside the United Kingdom, and
  - (b) satisfies any requirements prescribed for the purposes of this subsection by regulations made by the Board of Inland Revenue.
- (8) In this Part “recognised overseas pension scheme” means an overseas pension scheme [<sup>F90</sup>which satisfies any requirements prescribed for the purposes of this subsection by regulations made by the Commissioners for Her Majesty's Revenue and Customs.]

#### Textual Amendments

- F88** Words in s. 150(4)(c) inserted (25.5.2007) by [The Government of Wales Act 2006 \(Consequential Modifications and Transitional Provisions\) Order 2007 \(S.I. 2007/1388\)](#), art. 1(2), [Sch. 1 para. 108](#)
- F89** [S. 150\(5A\)](#) inserted (15.3.2018) by [Finance Act 2018 \(c. 3\)](#), [Sch. 3 paras. 1\(2\), 2\(3\)](#)
- F90** Words in s. 150(8) substituted (17.7.2013) by [Finance Act 2013 \(c. 29\)](#), [s. 53\(1\)](#)

## 151 Meaning of “member”

- (1) In this Part “member” in relation to a pension scheme, means any active member, pensioner member, deferred member or pension credit member of the pension scheme.
- (2) For the purposes of this Part a person is an active member of a pension scheme if there are presently arrangements made under the pension scheme for the accrual of benefits to or in respect of the person.
- (3) For the purposes of this Part a person is a pensioner member of a pension scheme if the person is entitled to the present payment of benefits under the pension scheme and is not an active member.
- (4) A person is a deferred member of a pension scheme if the person has accrued rights under the pension scheme and is neither an active member nor a pensioner member.
- (5) A person is a pension credit member of a pension scheme if the person has rights under the pension scheme which are attributable (directly or indirectly) to pension credits [<sup>F91</sup>; and, if a person dies having become entitled to pension credits but without having rights attributable to them, the person is to be treated as having acquired, immediately before death, the rights by virtue of which the liability in respect of the pension credits is subsequently discharged].

#### Textual Amendments

- F91** Words in s. 151(5) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), [s. 161\(2\)](#), [Sch. 23 para. 2](#)

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**Modifications etc. (not altering text)**

**C19** S. 151 applied (with modifications) (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, 5

**152 Meaning of “arrangement”**

- (1) In this Part “arrangement”, in relation to a member of a pension scheme, means an arrangement relating to the member under the pension scheme.
- (2) For the purposes of this Part an arrangement is a “money purchase arrangement” at any time if, at that time, all the benefits that may be provided to or in respect of the member under the arrangement are cash balance benefits or other money purchase benefits.
- (3) For the purposes of this Part a money purchase arrangement is a “cash balance arrangement” at any time if, at that time, all the benefits that may be provided to or in respect of the member under the arrangement are cash balance benefits.
- (4) In this Part “money purchase benefits”, in relation to a member of a pension scheme, means benefits the rate or amount of which is calculated by reference to an amount available for the provision of benefits to or in respect of the member (whether the amount so available is calculated by reference to payments made under the pension scheme by the member or any other person in respect of the member or any other factor).
- (5) In this Part “cash balance benefits” means benefits the rate or amount of which is calculated by reference to an amount available for the provision of benefits to or in respect of the member calculated otherwise than wholly by reference to payments made under the arrangement by the member or by any other person in respect of the member (or transfers or other credits).
- (6) For the purposes of this Part an arrangement is a “defined benefits arrangement” at any time if, at that time, all the benefits that may be provided to or in respect of the member under the arrangement are defined benefits.
- (7) In this Part “defined benefits”, in relation to a member of a pension scheme, means benefits which are not money purchase benefits (but which are calculated by reference to earnings or service of the member or any other factor other than an amount available for their provision).
- (8) For the purposes of this Part an arrangement is a “hybrid arrangement” at any time if, at that time, all of the benefits that may be provided to or in respect of the member under the arrangement are, depending on the circumstances, to be of one of any two or three of the following varieties—
  - (a) cash balance benefits,
  - (b) other money purchase benefits, and
  - (c) defined benefits.
- (9) Where not all of the benefits that may be provided under an arrangement to or in respect of the member are of the same one of those varieties of benefits, the arrangement is to be treated for the purposes of this Part as being two or three separate arrangements one of which relates to each of the two or three varieties of benefits that may be so provided.

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**Modifications etc. (not altering text)**

- C20** S. 152 applied (with modifications) (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, 6

## CHAPTER 2

### REGISTRATION OF PENSION SCHEMES

**Modifications etc. (not altering text)**

- C21** Pt. 4 Ch. 2 excluded (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, 7

#### *Registration*

### **153 Registration of pension schemes**

- (1) An application may be made to the Inland Revenue for a pension scheme to be registered.
- (2) The application—
  - (a) must contain any information which is reasonably required by the Inland Revenue in any form specified by the Board of Inland Revenue, and
  - (b) must be accompanied by a declaration that the application is made by the scheme administrator (see section 270) and any other declarations by the scheme administrator which are reasonably required by the Inland Revenue.
- (3) The declarations which the Inland Revenue may require to accompany an application for the registration of a pension scheme include, in particular, a declaration that the instruments or agreements by which it is constituted do not entitle any person to unauthorised payments (see section 160(5)).
- (4) [<sup>F92</sup>Following] receipt of an application for a pension scheme to be registered the Inland Revenue must decide whether or not to register the pension scheme.
- (5) The Inland Revenue's decision must be to register the pension scheme unless it appears that—
  - [<sup>F93</sup>(a) any information falling within subsection (5A) is inaccurate in a material respect,
  - (b) any document falling within subsection (5B) contains a material inaccuracy,
  - (c) any declaration accompanying the application is false,
  - (d) the scheme administrator has failed to comply with an information notice under section 153A given in connection with the application (including any declaration accompanying it),
  - (e) the scheme administrator has deliberately obstructed an officer of Revenue and Customs in the course of an inspection under section 153B carried out in connection with the application (including any declaration accompanying it) where the inspection has been approved by the tribunal,

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- (f) the pension scheme has not been established, or is not being maintained, wholly or mainly for the purpose of making payments falling within section 164(1)(a) or (b) (authorised payments of pensions and lump sums), or
- (g) the person who is, or any of the persons who are, the scheme administrator is not a fit and proper person to be, as the case may be—
  - (i) the scheme administrator, or
  - (ii) one of the persons who are the scheme administrator]]<sup>F94</sup>, or
- (h) the pension scheme is an occupational pension scheme, and a sponsoring employer in relation to the scheme is a body corporate that has been dormant during a continuous period of one month that falls within the period of one year ending with the day on which the decision is made, or
- (i) the pension scheme is an unauthorised Master Trust scheme.]

<sup>F95</sup>(5A) The information falling within this subsection is any information—

- (a) contained in the application, or
- (b) otherwise provided to an officer of Revenue and Customs by the scheme administrator (whether under section 153A or otherwise) in connection with the application (including any declaration accompanying it).

(5B) The documents falling within this subsection are any documents produced to an officer of Revenue and Customs by the scheme administrator (whether under section 153A or otherwise) in connection with the application (including any declaration accompanying it).

(5C) The reference in subsection (5)(d) to the scheme administrator having failed to comply with an information notice under section 153A includes a case where the scheme administrator has concealed, destroyed or otherwise disposed of, or has arranged for the concealment, destruction or disposal of, a document in breach of paragraph 42 or 43 of Schedule 36 to the Finance Act 2008 as applied by section 153A(3).]

(6) The Inland Revenue must notify the scheme administrator of the decision on the application.

(7) Unless the Inland Revenue's decision is not to register the pension scheme, the notification must state the day on and after which the pension scheme will be a registered pension scheme.

(8) An annuity contract [<sup>F96</sup>made with an insurance company]—

(a) by means of which benefits under a registered pension scheme have been secured, but

(b) which does not provide for the immediate payment of benefits,

is to be treated as having become a registered pension scheme on the day on which it is made.

<sup>F97</sup>(8A) Where an order has been made under section 19(4) or 21(2)(a) of the Pensions Act 2004 or Article 15(4) or 17(2)(a) of the Pensions (Northern Ireland) Order 2005 (restitution by order of court or Pensions Regulator) that property or money be transferred, or a sum be paid, towards an annuity contract made with an insurance company, the annuity contract is to be treated as having become a registered pension scheme on the day on which it is made.]

(9) Schedule 36 contains (in Part 1) provisions treating certain pension schemes in existence immediately before 6th April 2006 as registered pension schemes (and related provisions).



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#### Textual Amendments

- F92** Word in s. 153(4) substituted (with effect in accordance with Sch. 7 para. 5(1) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 paras. 2\(2\), 5\(1\)](#)
- F93** S. 153(5)(a)-(g) substituted for s. 153(5)(a) (with effect in accordance with Sch. 7 para. 5 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 paras. 2\(3\), 5\(1\)](#)
- F94** S. 153(5)(h)(i) and word inserted (15.3.2018 for specified purposes, 6.4.2018 in so far as not already in force) by [Finance Act 2018 \(c. 3\)](#), [Sch. 3 paras. 1\(3\), 2\(1\)\(a\)\(2\)\(a\)\(3\)](#)
- F95** S. 153(5A)-(5C) inserted (with effect in accordance with Sch. 7 para. 5(1) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 paras. 2\(4\), 5\(1\)](#)
- F96** Words in s. 153(8) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 2, 64\(1\)](#)
- F97** S. 153(8A) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 3, 64\(1\)](#)

### <sup>F98</sup> **153A Power to require information or documents in relation to applications for registration**

- (1) This section applies where an application for a pension scheme to be registered is made.
- (2) An officer of Revenue and Customs may by notice (an “information notice”) require the scheme administrator or any other person—
  - (a) to provide the officer with any information, or
  - (b) to produce a document to the officer,if the officer reasonably requires the information or document in connection with the application (including any declaration accompanying it).
- (3) Paragraphs 6(2), 7, 8, 15, 16, 18 to 20, 23 to 27, 42 and 43 of Schedule 36 to the Finance Act 2008 (information notices etc) apply in relation to information notices under this section as they apply in relation to information notices under that Schedule.
- (4) Where an information notice under this section is given to a person other than the scheme administrator, an officer of Revenue and Customs must give a copy of the notice to the scheme administrator.
- (5) A person, other than the scheme administrator, who is given an information notice under this section may appeal against the notice or any requirement in the notice.
- (6) Paragraph 32 of Schedule 36 to the Finance Act 2008 (procedures for appeals against information notices) applies for the purposes of an appeal under subsection (5) as it applies for the purposes of an appeal under Part 5 of that Schedule.

#### Textual Amendments

- F98** Ss. 153A-153F inserted (with effect in accordance with Sch. 7 para. 5(1) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 paras. 3, 5\(1\)](#)

### **153B Power to inspect documents in relation to applications for registration**

- (1) This section applies where an application for a pension scheme to be registered is made.
- (2) An officer of Revenue and Customs may—

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- (a) enter any business premises of the scheme administrator or any other person, and
  - (b) inspect documents that are on the premises,
- if the officer reasonably requires to inspect the documents in connection with the application (including any declaration accompanying it).
- (3) In subsection (2)(a) “business premises” has the meaning given by paragraph 10(3) of Schedule 36 to the Finance Act 2008 (power to inspect business premises etc).
  - (4) Paragraphs 10(2), 12, 15 and 16 of Schedule 36 to the Finance Act 2008 apply in relation to the power of inspection conferred by this section as they apply in relation to the power of inspection conferred by paragraph 10 of that Schedule.
  - (5) An officer of Revenue and Customs may not inspect a document under this section if or to the extent that, by virtue of a provision of Part 4 of Schedule 36 to the Finance Act 2008 (restrictions on powers) applied by section 153A(3), an information notice under section 153A given at the time of the inspection to the occupier of the premises could not require the occupier to produce the document.
  - (6) An officer of Revenue and Customs may ask the tribunal to approve an inspection under this section.
  - (7) Paragraph 13(1A), (2) and (3) of Schedule 36 to the Finance Act 2008 (approval of tribunal for inspections) applies in relation to an application under subsection (6) as it applies in relation to an application under paragraph 13 of that Schedule in relation to an inspection under paragraph 10 of that Schedule.

#### **Textual Amendments**

**F98** Ss. 153A-153F inserted (with effect in accordance with Sch. 7 para. 5(1) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 paras. 3, 5\(1\)](#)

### **153C Penalties for failure to comply with information notices etc**

- (1) This section applies where a person other than the scheme administrator—
  - (a) fails to comply with an information notice under section 153A, or
  - (b) deliberately obstructs an officer of Revenue and Customs in the course of an inspection under section 153B that has been approved by the tribunal.
- (2) The reference in subsection (1)(a) to a person who fails to comply with an information notice includes a person who conceals, destroys or otherwise disposes of, or arranges for the concealment, destruction or disposal of, a document in breach of paragraph 42 or 43 of Schedule 36 to the Finance Act 2008 as applied by section 153A(3).
- (3) Paragraphs 39(2), 40 and 44 to 49 of Schedule 36 to the Finance Act 2008 (penalties for failure to comply with information notice etc) apply in relation to the failure or obstruction as they apply in relation to a failure or obstruction mentioned in paragraph 39(1) of that Schedule.

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#### Textual Amendments

**F98** Ss. 153A-153F inserted (with effect in accordance with Sch. 7 para. 5(1) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 paras. 3, 5\(1\)](#)

### **153D Penalties for inaccurate information in applications**

- (1) This section applies where—
  - (a) an application under section 153 contains information which is inaccurate,
  - (b) the inaccuracy is material, and
  - (c) condition A, B or C is met.
- (2) Condition A is that the inaccuracy is careless or deliberate.
- (3) An inaccuracy is careless if it is due to a failure by the scheme administrator to take reasonable care.
- (4) Condition B is that the scheme administrator knows of the inaccuracy at the time the application is made but does not inform an officer of Revenue and Customs at that time.
- (5) Condition C is that the scheme administrator—
  - (a) discovers the inaccuracy some time later, and
  - (b) fails to take reasonable steps to inform an officer of Revenue and Customs.
- (6) The scheme administrator is liable to a penalty not exceeding the maximum penalty for which the scheme administrator could have been liable under paragraph 40A of Schedule 36 to the Finance Act 2008 (penalties for inaccurate information and documents) had that paragraph applied in relation to the inaccuracy.
- (7) Where the information contains more than one material inaccuracy, a penalty is payable for each inaccuracy.
- (8) Paragraphs 46 to 49 of Schedule 36 to the Finance Act 2008 (assessment of penalties etc) apply in relation to a penalty under this section as they apply in relation to a penalty under paragraph 40A of that Schedule.

#### Textual Amendments

**F98** Ss. 153A-153F inserted (with effect in accordance with Sch. 7 para. 5(1) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 paras. 3, 5\(1\)](#)

### **153E Penalties for inaccurate information or documents provided under information notice**

- (1) This section applies where—
  - (a) in complying with an information notice under section 153A, a person provides inaccurate information or produces a document that contains an inaccuracy, and
  - (b) the inaccuracy is material.

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- (2) Paragraphs 40A and 46 to 49 of Schedule 36 to the Finance Act 2008 (penalties for inaccurate information and documents) apply in relation to the inaccuracy as they apply in relation to an inaccuracy connected with an information notice under that Schedule.

#### Textual Amendments

**F98** Ss. 153A-153F inserted (with effect in accordance with Sch. 7 para. 5(1) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 paras. 3, 5\(1\)](#)

### 153F Penalties for false declarations

- (1) This section applies where—
- (a) a declaration accompanying an application under section 153 is false, and
  - (b) at least one of conditions A to C in section 153D is met (reading references to an inaccuracy as references to a falsehood and references to the scheme administrator as references to the person who made the declaration).
- (2) The person who made the declaration is liable to a penalty not exceeding the maximum penalty for which the person could have been liable under paragraph 40A of Schedule 36 to the Finance Act 2008 (penalties for inaccurate information and documents) had that paragraph applied in relation to the falsehood.
- (3) Where the declaration contains more than one falsehood, a penalty is payable in relation to each falsehood.
- (4) Paragraphs 46 to 49 of Schedule 36 to the Finance Act 2008 (assessment of penalties etc) apply in relation to a penalty under this section as they apply in relation to a penalty under paragraph 40A of that Schedule.]

#### Textual Amendments

**F98** Ss. 153A-153F inserted (with effect in accordance with Sch. 7 para. 5(1) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 paras. 3, 5\(1\)](#)

### 154 Persons by whom registered pension scheme may be established

- [<sup>F99</sup>(1) An application to register a pension scheme may be made only if the pension scheme—
- (a) is an occupational pension scheme, or
  - (b) has been established by a person with permission under FISMA 2000 to establish in the United Kingdom a personal pension scheme or a stakeholder pension scheme.]

(2) But subsection (1) does not apply to a public service pension scheme.

[<sup>F100</sup>(2A) Subsection (1) is to be construed in accordance with section 22 of FISMA 2000, any relevant order under that section and Schedule 2 to that Act.]

<sup>F101</sup>(3) .....

(4) The Treasury may by order amend this section <sup>F102</sup>....

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#### Textual Amendments

- F99** S. 154(1) substituted (retrospective to 6.4.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 20 paras. 2\(2\)](#), [24\(1\)](#)
- F100** S. 154(2A) inserted (retrospective to 6.4.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 20 paras. 2\(3\)](#), [24\(1\)](#)
- F101** S. 154(3) repealed (retrospective to 6.4.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 20 paras. 2\(4\)](#), [24\(1\)](#), [Sch. 27 Pt. 3\(2\)](#)
- F102** Words in s. 154(4) repealed (retrospective to 6.4.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 20 paras. 2\(5\)](#), [24\(1\)](#), [Sch. 27 Pt. 3\(2\)](#)

### <sup>F103</sup>155 Persons by whom scheme may be established: supplementary

.....

#### Textual Amendments

- F103** S. 155 repealed (retrospective to 6.4.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 20 paras. 324\(1\)](#), [Sch. 27 Pt. 3\(2\)](#)

### 156 Appeal against decision not to register

- (1) This section applies where, on an application for a pension scheme to be registered, the Inland Revenue's decision is not to register the pension scheme.
- (2) The scheme administrator may appeal against the decision.
- <sup>F104</sup>(3) .....
- <sup>F104</sup>(4) .....
- (5) An appeal under this section against a decision must be brought within the period of 30 days beginning with the day on which the scheme administrator was notified of the decision.
- (6) [<sup>F105</sup>On an appeal under this section that is notified to the tribunal, the tribunal] must consider whether the pension scheme ought to have been registered by the Inland Revenue.
- (7) If [<sup>F106</sup>the tribunal decides] that the pension scheme ought not to have been registered by the Inland Revenue, [<sup>F107</sup>the tribunal must] dismiss the appeal.
- (8) If [<sup>F108</sup>the tribunal decides] that the pension scheme ought to have been registered by the Inland Revenue, the pension scheme is to be treated as having been registered on such date as the [<sup>F109</sup>tribunal determines] (but subject to any further appeal <sup>F110</sup>...).

#### Textual Amendments

- F104** S. 156(3)(4) omitted (1.4.2009) by virtue of [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), [art. 1\(2\)](#), [Sch. 1 para. 423\(2\)](#)
- F105** Words in s. 156(6) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), [art. 1\(2\)](#), [Sch. 1 para. 423\(3\)](#)

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- F106** Words in s. 156(7) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 423(4)(a)**
- F107** Words in s. 156(7) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 423(4)(b)**
- F108** Words in s. 156(8) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 423(5)(a)**
- F109** Words in s. 156(8) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 423(5)(b)**
- F110** Words in s. 156(8) omitted (1.4.2009) by virtue of [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 423(5)(c)**

### [<sup>F111</sup>156A] **Cases where application for registration not decided within 6 months**

- (1) This section applies where—
  - (a) an application for a pension scheme to be registered is made, but
  - (b) the scheme administrator is not notified under section 153(6) within the period of 6 months after the day on which the application is made.
- (2) The scheme administrator may appeal to the tribunal as if, at the end of that period of 6 months, the scheme administrator had been notified under section 153(6) of a decision not to register the scheme; and section 156(5) to (8) applies accordingly.]

#### **Textual Amendments**

- F111** S. 156A inserted (with effect in accordance with Sch. 7 para. 5(1) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), **Sch. 7 paras. 4, 5(1)**

### *De-registration*

#### **157 De-registration**

- (1) The Inland Revenue may withdraw the registration of a pension scheme.
- (2) If the Inland Revenue withdraws the registration of a pension scheme the Inland Revenue must notify the scheme administrator.
- (3) If there is no-one who is the scheme administrator, the Inland Revenue must instead notify any person or persons—
  - (a) who has or have responsibility for the discharge of any obligation relating to the pension scheme under section 271(4) (continuation of liability where no scheme administrator), section 272 (trustees etc.) or section 273 (members), and
  - (b) whom it is reasonably practicable for the Inland Revenue to identify.
- (4) The notification must state the date on and after which the pension scheme will not be a registered pension scheme.

#### **158 Grounds for de-registration**

- (1) The registration of a pension scheme may be withdrawn under section 157 only if it appears to the Inland Revenue—

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- [<sup>F112</sup>(za) that the pension scheme has not been established, or is not being maintained, wholly or mainly for the purpose of making payments falling within section 164(1)(a) or (b) (authorised payments of pensions and lump sums),]
  - [<sup>F113</sup>(zb) that the person who is, or any of the persons who are, the scheme administrator is not a fit and proper person to be, as the case may be—
    - (i) the scheme administrator, or
    - (ii) one of the persons who are the scheme administrator,]
  - (a) that the amount of the scheme chargeable payments (see section 241) made by the pension scheme during any period of 12 months exceeds the de-registration threshold,
  - (b) that the scheme administrator fails to pay a substantial amount of tax (or interest on tax) due from the scheme administrator by virtue of this Part,
  - (c) that the scheme administrator fails to provide information required to be provided to the Inland Revenue by virtue of this Part [<sup>F114</sup>or Part 1 of Schedule 36 to the Finance Act 2008] and the failure is significant,
  - (d) that any information contained in the application to register the pension scheme or otherwise provided to the Inland Revenue is [<sup>F115</sup>inaccurate] in a material particular,
  - [<sup>F116</sup>(da) that the scheme administrator fails to produce any document required to be produced to an officer of Revenue and Customs by virtue of this Part or Part 1 of Schedule 36 to the Finance Act 2008,
  - (db) that any document produced to an officer of Revenue and Customs by the scheme administrator contains a material inaccuracy in relation to which at least one of conditions A to C in subsections (7) to (10) is met,]
  - [<sup>F117</sup>(e) that any declaration accompanying the application to register the pension scheme, or otherwise made to an officer of Revenue and Customs in connection with the pension scheme, is false in a material particular,
  - (ea) that the scheme administrator has deliberately obstructed an officer of Revenue and Customs in the course of an inspection under [<sup>F118</sup>section 159B or] Part 2 of Schedule 36 to the Finance Act 2008 that has been approved by the tribunal, or]
  - (f) that there is no scheme administrator[<sup>F119</sup>, or
  - (g) that the pension scheme is an occupational pension scheme, and a sponsoring employer in relation to the scheme is a body corporate that has been dormant during a continuous period of one month that falls within the period of one year ending with the day on which the decision to withdraw registration is made, or
  - (h) that the scheme is an unauthorised Master Trust scheme.]
- (2) The amount of the scheme chargeable payments made by a pension scheme during any period of 12 months exceeds the de-registration threshold if the scheme chargeable payments percentage is 25% or more.
- (3) The scheme chargeable payments percentage is—
- (a) if only one scheme chargeable payment is made during the period of 12 months, the percentage of the pension fund used up on the occasion of that scheme chargeable payment, and
  - (b) if two or more scheme chargeable payments are made during the period of 12 months, the aggregate of the percentages of the pension fund used up on the occasion of each of those scheme chargeable payments.

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- (4) The percentage of the pension fund used up on the occasion of a scheme chargeable payment is—

$$\frac{\text{SCP}}{\text{AA}} \times 100$$

where—

SCP is the amount of the scheme chargeable payment, and

AA is an amount equal to the aggregate of the amount of the sums and the market value of the assets held for the purposes of the pension scheme at the time when the scheme chargeable payment is made.

- (5) A failure by a scheme administrator to provide information required to be provided to the Inland Revenue by or under this Part [<sup>F120</sup>or Part 1 of Schedule 36 to the Finance Act 2008] is significant if—
- (a) the amount of information which the scheme administrator fails to provide is substantial, or
  - (b) the failure to provide the information is likely to result in serious prejudice to the assessment or collection of tax.

[<sup>F121</sup>(6) Subsections (7) to (10) apply for the purposes of subsection (1)(db).

- (7) Condition A is that the inaccuracy is careless or deliberate.
- (8) An inaccuracy is careless if it is due to a failure by the scheme administrator to take reasonable care.
- (9) Condition B is that the scheme administrator knows of the inaccuracy at the time the document is produced to an officer of Revenue and Customs but does not inform such an officer at that time.
- (10) Condition C is that the scheme administrator—
  - (a) discovers the inaccuracy some time later, and
  - (b) fails to take reasonable steps to inform an officer of Revenue and Customs.]

#### Textual Amendments

- F112** S. 158(1)(za) inserted (with effect in accordance with Sch. 7 para. 8(1) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 paras. 6\(2\)\(a\)](#), 8(2)
- F113** S. 158(1)(zb) inserted (1.9.2014) (with effect in accordance with Sch. 7 para. 8(1) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 paras. 6\(3\)\(a\)](#), 8(3)
- F114** Words in s. 158(1)(c) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Pension Schemes \(Miscellaneous Amendments\) Order 2013 \(S.I. 2013/1114\)](#), [arts. 1\(1\)](#), [2\(2\)](#)
- F115** Word in s. 158(1)(d) substituted (with effect in accordance with Sch. 7 para. 8(1) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 paras. 6\(2\)\(b\)](#), 8(2)
- F116** S. 158(1)(da)(db) inserted (with effect in accordance with Sch. 7 para. 8(1) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 paras. 6\(2\)\(c\)](#), 8(2)
- F117** S. 158(1)(e)(ea) substituted for s. 158(1)(e) (with effect in accordance with Sch. 7 para. 8(1) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 paras. 6\(2\)\(d\)](#), 8(2)



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- F118** Words in s. 158(1)(ea) inserted (1.9.2014) (with effect in accordance with Sch. 7 para. 8(1) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 paras. 6\(3\)\(b\)](#), 8(3)
- F119** S. 158(1)(g)(h) and word inserted (15.3.2018 for specified purposes, 6.4.2018 in so far as not already in force) by [Finance Act 2018 \(c. 3\)](#), [Sch. 3 paras. 1\(4\)](#), 2(1)(b)(2)(b)(3)
- F120** Words in s. 158(5) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Pension Schemes \(Miscellaneous Amendments\) Order 2013 \(S.I. 2013/1114\)](#), arts. 1(1), [2\(3\)](#)
- F121** S. 158(6)-(10) inserted (with effect in accordance with Sch. 7 para. 8(1) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 paras. 6\(4\)](#), 8(2)

## 159 Appeal against decision to de-register

- (1) This section applies where the Inland Revenue decides to withdraw the registration of a pension scheme under section 157.
- (2) The scheme administrator, or any person notified under that section of the withdrawal of registration, may appeal against the decision.
- <sup>F122</sup>(3) .....
- <sup>F122</sup>(4) .....
- (5) An appeal under this section against a decision must be brought within the period of 30 days beginning with the day on which the appellant was notified of the decision.
- (6) [<sup>F123</sup>On an appeal that is notified to the tribunal, the tribunal] must consider whether the registration of the pension scheme ought to have been withdrawn.
- (7) If [<sup>F124</sup>the tribunal decides] that the registration of the pension scheme ought to have been withdrawn, [<sup>F125</sup>the tribunal must] dismiss the appeal.
- (8) If [<sup>F126</sup>the tribunal decides] that the registration of the pension scheme ought not to have been withdrawn, the pension scheme is to be treated as having remained a registered pension scheme (but subject to any further appeal <sup>F127</sup>...).

### Textual Amendments

- F122** S. 159(3)(4) omitted (1.4.2009) by virtue of [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 424\(2\)](#)
- F123** Words in s. 159(6) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 424\(3\)](#)
- F124** Words in s. 159(7) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 424\(4\)\(a\)](#)
- F125** Words in s. 159(7) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 424\(4\)\(b\)](#)
- F126** Words in s. 159(8) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 424\(5\)\(a\)](#)
- F127** Words in s. 159(8) omitted (1.4.2009) by virtue of [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 424\(5\)\(b\)](#)

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**[<sup>F128</sup>159A] Power to require information or documents for purpose of considering if scheme administrator is fit and proper**

- (1) An officer of Revenue and Customs may by notice (an “information notice”) require the scheme administrator of a registered pension scheme or any other person—
  - (a) to provide the officer with any information, or
  - (b) to produce a document to the officer,
 if the officer reasonably requires the information or document for the purpose of considering whether the person who is, or any of the persons who are, the scheme administrator is a fit and proper person to be the scheme administrator or one of those persons (as the case may be).
- (2) Paragraphs 6(2), 7, 8, 15, 16, 18 to 20, 23 to 27, 42 and 43 of Schedule 36 to the Finance Act 2008 (information notices etc) apply in relation to information notices under this section as they apply in relation to information notices under that Schedule.
- (3) Where an information notice under this section is given to a person other than the scheme administrator, an officer of Revenue and Customs must give a copy of the notice to the scheme administrator.
- (4) A person who is given an information notice under this section may appeal against the notice or any requirement in the notice.
- (5) Paragraph 32 of Schedule 36 to the Finance Act 2008 (procedures for appeals against information notices) applies for the purposes of an appeal under subsection (4) as it applies for the purposes of an appeal under Part 5 of that Schedule.

**Textual Amendments**

**F128** Ss. 159A-159D inserted (1.9.2014) (with effect in accordance with Sch. 7 para. 8(1) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 paras. 7, 8\(3\)](#)

**159B Power to inspect documents for purpose of considering if scheme administrator is fit and proper**

- (1) An officer of Revenue and Customs may—
  - (a) enter any business premises of the scheme administrator of a registered pension scheme or of any other person, and
  - (b) inspect documents that are on the premises,
 if the officer reasonably requires to inspect the documents for the purpose of considering whether the person who is, or any of the persons who are, the scheme administrator is a fit and proper person to be the scheme administrator or one of those persons (as the case may be).
- (2) In subsection (1)(a) “business premises” has the meaning given by paragraph 10(3) of Schedule 36 to the Finance Act 2008 (power to inspect business premises etc).
- (3) Paragraphs 10(2), 12, 15 and 16 of Schedule 36 to the Finance Act 2008 apply in relation to the power of inspection conferred by this section as they apply in relation to the power of inspection conferred by paragraph 10 of that Schedule.
- (4) An officer of Revenue and Customs may not inspect a document under this section if or to the extent that, by virtue of a provision of Part 4 of Schedule 36 to the Finance

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Act 2008 (restrictions on powers) applied by section 159A(2), an information notice under section 159A given at the time of the inspection to the occupier of the premises could not require the occupier to produce the document.

- (5) An officer of Revenue and Customs may ask the tribunal to approve an inspection under this section.
- (6) Paragraph 13(1A), (2) and (3) of Schedule 36 to the Finance Act 2008 (approval of tribunal for inspections) applies in relation to an application under subsection (5) as it applies in relation to an application under paragraph 13 of that Schedule in relation to an inspection under paragraph 10 of that Schedule.

#### Textual Amendments

**F128** Ss. 159A-159D inserted (1.9.2014) (with effect in accordance with Sch. 7 para. 8(1) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 paras. 7, 8\(3\)](#)

### 159C Penalties for failure to comply with information notices etc

- (1) This section applies where a person—
  - (a) fails to comply with an information notice under section 159A, or
  - (b) deliberately obstructs an officer of Revenue and Customs in the course of an inspection under section 159B that has been approved by the tribunal.
- (2) The reference in subsection (1)(a) to a person who fails to comply with an information notice includes a person who conceals, destroys or otherwise disposes of, or arranges for the concealment, destruction or disposal of, a document in breach of paragraph 42 or 43 of Schedule 36 to the Finance Act 2008 as applied by section 159A(2).
- (3) Paragraphs 39(2), 40 and 44 to 49 of Schedule 36 to the Finance Act 2008 (penalties for failure to comply with information notice etc) apply in relation to the failure or obstruction as they apply in relation to a failure or obstruction mentioned in paragraph 39(1) of that Schedule.

#### Textual Amendments

**F128** Ss. 159A-159D inserted (1.9.2014) (with effect in accordance with Sch. 7 para. 8(1) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 paras. 7, 8\(3\)](#)

### 159D Penalties for inaccurate information or documents provided under information notice

- (1) This section applies where—
  - (a) in complying with an information notice under section 159A, a person provides inaccurate information or produces a document that contains an inaccuracy, and
  - (b) the inaccuracy is material.
- (2) Paragraphs 40A and 46 to 49 of Schedule 36 to the Finance Act 2008 (penalties for inaccurate information and documents) apply in relation to the inaccuracy as they apply in relation to an inaccuracy connected with an information notice under that Schedule.]

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### Textual Amendments

**F128** Ss. 159A-159D inserted (1.9.2014) (with effect in accordance with Sch. 7 para. 8(1) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), **Sch. 7 paras. 7, 8(3)**

## CHAPTER 3

### PAYMENTS BY REGISTERED PENSION SCHEMES

#### *Introductory*

### 160 Payments by registered pension schemes

- (1) The only payments which a registered pension scheme is authorised to make to or in respect of a [<sup>F129</sup>person who is or has been a] member of the pension scheme are those specified in section 164.
  - (2) In this Part “unauthorised member payment” means—
    - (a) a payment by a registered pension scheme to or in respect of a [<sup>F130</sup>person who is or has been a] member of the pension scheme which is not authorised by section 164, and
    - (b) anything which is to be treated as an unauthorised payment to or in respect of a [<sup>F131</sup>person who is or has been a] member of the pension scheme under [<sup>F132</sup>this Part].
  - (3) The only payments which a registered pension scheme that is an occupational pension scheme is authorised to make to or in respect of a [<sup>F133</sup>person who is or has been a] sponsoring employer are those specified in section 175.
  - (4) In this Part “unauthorised employer payment” means—
    - (a) a payment by a registered pension scheme that is an occupational pension scheme, to or in respect of a [<sup>F134</sup>person who is or has been a] sponsoring employer, which is not authorised by section 175, and
    - (b) anything which is to be treated as an unauthorised payment to a [<sup>F135</sup>person who is or has been a] sponsoring employer under section 181.
- [<sup>F136</sup>(4A) If an unauthorised member payment or unauthorised employer payment made to or in respect of a person would have been greater but for a reduction made in respect of the whole, or any proportion, of the amount which the scheme administrator considers may be the amount of the liability to the scheme sanction charge in respect of it, it is to be regarded for the purposes of this Part as increased by the amount of the reduction.
- (4B) But if the amount, or that proportion of the amount, of that liability is in fact less than the amount of the reduction, a subsequent payment of an amount not exceeding the difference between that amount and the amount of the reduction made—
- (a) to or in respect of the same person, and
  - (b) before the end of the period of two years beginning with the date on which the unauthorised member payment or unauthorised employer payment was made, is not to be regarded for the purposes of this Part as an unauthorised member payment or unauthorised employer payment.]

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- (5) In this Part “unauthorised payment” means—
- (a) an unauthorised member payment, or
  - (b) an unauthorised employer payment.
- (6) As well as section 157 (de-registration), the following provisions—
- (a) section 208 (unauthorised payments charge),
  - (b) section 209 (unauthorised payments surcharge),
  - (c) section 239 (scheme sanction charge), and
  - (d) section 242 (de-registration charge),
- specify consequences of making unauthorised payments.
- (7) Sections 182 to 185 contain provision about amounts that a registered pension scheme is not authorised to borrow.
- [<sup>F137</sup>(7A) Sections 185A to 185I contain provision about the receipt of income and gains from taxable property.]
- (8) As well as section 157, sections 239 and 242 specify consequences of unauthorised borrowing [<sup>F138</sup>and the receipt of income and gains from taxable property].
- (9) Schedule 36 contains (in Parts 3 and 4) transitional provision about unauthorised payments.

#### Textual Amendments

- F129** Words in s. 160(1) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), **Sch. 23 para. 3(2)**
- F130** Words in s. 160(2)(a) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), **Sch. 23 para. 3(3)(a)**
- F131** Words in s. 160(2)(b) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), **Sch. 23 para. 3(3)(a)**
- F132** Words in s. 160(2)(b) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), **Sch. 23 para. 3(3)(b)**
- F133** Words in s. 160(3) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), **Sch. 23 para. 3(4)**
- F134** Words in s. 160(4)(a) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), **Sch. 23 para. 3(4)**
- F135** Words in s. 160(4)(b) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), **Sch. 23 para. 3(4)**
- F136** S. 160(4A)(4B) inserted (19.7.2007) (with effect in accordance with Sch. 20 para. 24(2) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), **Sch. 20 para. 5**
- F137** S. 160(7A) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 158(2), **Sch. 21 para. 3(2)**
- F138** Words in s. 160(8) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 158(2), **Sch. 21 para. 3(3)**

#### Commencement Information

- I13** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

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## 161 Meaning of “payment” etc

- (1) This section applies for the interpretation of this Chapter.
- (2) “Payment” includes a transfer of assets and any other transfer of money’s worth.
- (3) Subsection (4) applies to a payment made or benefit provided under or in connection with an investment (including an insurance contract or annuity) acquired using sums or assets held for the purposes of a registered pension scheme.
- (4) The payment or benefit is to be treated as made or provided from sums or assets held for the purposes of the pension scheme, even if the pension scheme has been wound up since the investment was acquired.
- (5) A payment made by a registered pension scheme to <sup>F139</sup>or in respect of] a person who—
  - (a) is connected with a <sup>F140</sup>person who is or has been a] member or sponsoring employer (or was connected with <sup>F141</sup>such a person at the date of the person's] death), and
  - (b) is not a <sup>F140</sup>person who is or has been a] member or sponsoring employer,
 is to be treated as made in respect of the <sup>F140</sup>person who is or has been a] member or sponsoring employer.
- (6) Any asset held by a person connected with a <sup>F142</sup>person who is or has been a] member or sponsoring employer (or who was connected with <sup>F143</sup>such a person at the date of the person's] death) is to be treated as held for the benefit of the <sup>F142</sup>person who is or has been a] member or sponsoring employer.
- (7) Any increase in the value of an asset held by, or reduction in the liability of, a person connected with a <sup>F144</sup>person who is or has been a] member or sponsoring employer (or who was connected with <sup>F145</sup>such a person at the date of the person's] death) is to be treated as an increase or reduction for the benefit of the <sup>F144</sup>person who is or has been a] member or sponsoring employer.
- <sup>F146</sup>(8) 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

- F139** Words in s. 161(5) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 5](#), 64(1)
- F140** Words in s. 161(5) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 4\(2\)\(a\)](#)
- F141** Words in s. 161(5) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 4\(2\)\(b\)](#)
- F142** Words in s. 161(6) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 4\(3\)\(a\)](#)
- F143** Words in s. 161(6) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 4\(3\)\(b\)](#)
- F144** Words in s. 161(7) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 4\(3\)\(a\)](#)
- F145** Words in s. 161(7) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 4\(3\)\(b\)](#)
- F146** S. 161(8) 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. 467](#) (with [Sch. 2](#))

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#### Modifications etc. (not altering text)

- C22** S. 161 modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), **2(1)-(3)**
- C23** S. 161(4) modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), **2(4)(5)**

#### Commencement Information

- I14** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 162 Meaning of “loan”

- (1) This section applies for the interpretation of this Chapter.
- (2) “Loan” does not include the purchase of or subscription to debentures, debenture stock, loan stock, bonds, certificates of deposit or other instruments creating or acknowledging indebtedness which are—
  - (a) listed or dealt in on a recognised stock exchange (within the meaning of <sup>[F147]</sup>section 1005 of ITA 2007), or
  - (b) offered to the public.
- (3) A guarantee of a loan made to or in respect of a <sup>[F148]</sup>person who is or has been a] member or sponsoring employer of a registered pension scheme <sup>[F149]</sup>, or to or in respect of a person who is connected with a <sup>[F148]</sup>person who is or has been a] member or sponsoring employer of a registered pension scheme but is not <sup>[F150]</sup>such a person], is to be treated as a loan to or in respect of the <sup>[F148]</sup>person who is or has been a] member or sponsoring employer of an amount equal to the amount guaranteed.
- (4) If a <sup>[F151]</sup>person who is or has been a] member or sponsoring employer of a registered pension scheme <sup>[F152]</sup>or a person who is connected with a <sup>[F151]</sup>person who is or has been a] member or sponsoring employer of a registered pension scheme but is not <sup>[F153]</sup>such a person]]—
  - (a) is liable to pay a debt, the right to payment of which constitutes an asset held for the purposes of the pension scheme, but
  - (b) is not required to pay it by the relevant date,the debt is to be treated as a loan made by the pension scheme to the <sup>[F151]</sup>person who is or has been a] member or sponsoring employer on that date.
- (5) The relevant date is the date by which a person at arm’s length from the pension scheme might be expected to be required to pay the debt.
- <sup>[F154]</sup>(6) 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

- F147** Words in s. 162(2)(a) 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. 468(2)** (with Sch. 2)
- F148** Words in s. 162(3) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), **Sch. 23 para. 5(a)**
- F149** Words in s. 162(3) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), **Sch. 10 paras. 6(2)**, 64(1)

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- F150** Words in s. 162(3) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 5\(b\)](#)
- F151** Words in s. 162(4) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 5\(a\)](#)
- F152** Words in s. 162(4) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 6\(3\)](#), 64(1)
- F153** Words in s. 162(4) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 5\(b\)](#)
- F154** S. 162(6) 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. 468\(3\)](#) (with [Sch. 2](#))

#### **Commencement Information**

- I15** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

### **163 Meaning of “borrowing” etc**

- (1) This section applies for the interpretation of this Chapter.
- (2) Borrowing is borrowing by a registered pension scheme if the amount borrowed is to be repaid from sums or assets held for the purposes of the pension scheme.
- (3) A liability is a liability of a registered pension scheme if the liability is to be met from sums or assets held for the purposes of the pension scheme.
- (4) Borrowing by a registered pension scheme is in respect of an arrangement if it is properly attributable to the arrangement in accordance with the provisions of the pension scheme and any just and reasonable apportionment.

#### **Modifications etc. (not altering text)**

- C24** S. 163(2) applied (retrospective to 6.4.2011) by [Finance Act 2011 \(c. 11\)](#), s. [68\(5\)\(6\)](#)

#### **Commencement Information**

- I16** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

### *Authorised member payments*

### **164 Authorised member payments**

- [<sup>F155</sup>(1)]** The only payments a registered pension scheme is authorised to make to or in respect of a [<sup>F156</sup>person who is or has been a] member of the pension scheme are—
- (a) pensions permitted by the pension rules or the pension death benefit rules [<sup>F157</sup>to be paid to or in respect of a member] (see sections 165 and 167),
  - (b) lump sums permitted by the lump sum rule or the lump sum death benefit rule [<sup>F158</sup>to be paid to or in respect of a member] (see sections 166 and 168),
  - (c) recognised transfers (see section 169),
  - (d) scheme administration member payments (see section 171),
  - (e) payments pursuant to a pension sharing order or provision, and



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- (f) payments of a description prescribed by regulations made by the Board of Inland Revenue.

[<sup>F159</sup>(2) Regulations under subsection (1)(f) may—

- (a) provide that for the purposes of Part 9 of ITEPA 2003 all or part of a prescribed payment is to be treated as pension under a registered pension scheme, or as a lump sum of a prescribed description,
- (b) provide that all or part of a prescribed payment is subject to the short service refund lump sum charge<sup>F160</sup>... or the special lump sum death benefits charge,
- (c) provide that a prescribed event in relation to a prescribed payment is to be treated for the purposes of the lifetime allowance charge as a benefit crystallisation event, and make provision as to the amount crystallised by that event,

<sup>F161</sup>(d) .....

and “prescribed” means prescribed in regulations under subsection (1)(f).]

[<sup>F162</sup>(3) The Commissioners for Her Majesty's Revenue and Customs may by regulations make provision—

- (a) having the effect that the making of a prescribed authorised payment does not (directly or indirectly) result in an individual first flexibly accessing pension rights for the purposes of sections 227B to 227F,
- (b) having the effect that the making of a prescribed authorised payment is not a relevant withdrawal for the purposes of section 579CA of ITEPA 2003, and
- (c) having the effect that the making of a prescribed payment by a pension scheme that is not a registered pension scheme, where the payment would be an authorised payment if the scheme were a registered pension scheme, is not a relevant withdrawal for the purposes of section 576A of ITEPA 2003.

(4) In subsection (3)—

“authorised payment” means a payment specified in subsection (1), and  
“prescribed” means prescribed in regulations under subsection (3).]

#### Textual Amendments

**F155** S. 164(1): s. 164 renumbered as s. 164(1) (21.7.2008) by [Finance Act 2008 \(c. 9\)](#), [Sch. 29 para. 1\(2\)](#) **(a)**

**F156** Words in s. 164 inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 6\(a\)](#)

**F157** Words in s. 164(a) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 6\(b\)](#)

**F158** Words in s. 164(b) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 6\(c\)](#)

**F159** S. 164(2) inserted (21.7.2008) by [Finance Act 2008 \(c. 9\)](#), [Sch. 29 para. 1\(2\)\(b\)](#)

**F160** Words in s. 164(2)(b) omitted (with effect in accordance with Sch. 5 para. 4 of the amending Act) by virtue of [Finance Act 2016 \(c. 24\)](#), [Sch. 5 para. 3\(1\)\(a\)](#)

**F161** S. 164(2)(d) omitted (21.7.2009) by virtue of [Finance Act 2009 \(c. 10\)](#), s. 75(2)(a)

**F162** S. 164(3)(4) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 85](#)

#### Modifications etc. (not altering text)

**C25** S. 164 applied (with modifications) (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, 8

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### Commencement Information

**I17** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

## 165 Pension rules

- (1) These are the rules relating to the payment of pensions by a registered pension scheme to a member of the pension scheme (“the pension rules”).

### *Pension rule 1*

No payment of pension may be made before the day on which the member reaches normal minimum pension age, unless the ill-health condition was met immediately before the member became entitled to a pension under the pension scheme.

### *Pension rule 2*

If the member dies before the end of the period of ten years beginning with the day on which the member became entitled to a scheme pension [<sup>F163</sup>or an annuity], [<sup>F164</sup>and if in the case of an annuity that day was before 6 April 2015,] payment of the scheme pension [<sup>F165</sup>or annuity] may continue to be made (to any person) until the end of that period.

[<sup>F166</sup>If the member becomes entitled to an annuity on or after 6 April 2015 and the annuity is payable until the later of the member's death and the end of a term certain, payment of the annuity may continue to be made (to any person) until the end of that term.]

[<sup>F167</sup>Except as provided by the preceding provisions of this rule, no] payment of the member's pension may be made after the member's death.

### *Pension rule 3*

No payment of pension other than a scheme pension may be made in respect of a defined benefits arrangement.

### *Pension rule 4*

[<sup>F168</sup>No payment of pension] other than—

- (a) a scheme pension,
- (b) a lifetime annuity, or
- (c) [<sup>F169</sup>drawdown pension]

may be made in respect of a money purchase arrangement; but a scheme pension may only be paid if the member had an opportunity to select a lifetime annuity instead.

### [<sup>F170</sup>*Pension rule 5*

The total amount of drawdown pension paid in each drawdown pension year [<sup>F171</sup>from, or under a short-term annuity purchased using sums or assets out of, the member's drawdown pension fund] in respect of a money purchase arrangement must not exceed [<sup>F172</sup>150%] of the basis amount for the drawdown pension .]

<sup>F173</sup> .....

<sup>F173</sup> .....

- (2) In this Part “pension”, in relation to a registered pension scheme, includes—
- (a) an annuity, and

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(b) income withdrawal.

(3) For the purposes of this Part, a person becomes entitled to a pension under a registered pension scheme—

- (a) in the case of income withdrawal under the pension scheme, whenever sums or assets held for the purposes of an arrangement under the pension scheme are designated as available for the payment of [<sup>F174</sup>drawdown pension], and
- (b) in any other case, when the person first acquires an actual (rather than a prospective) right to receive the pension

[<sup>F175</sup>and, for this purpose, the abatement of a scheme pension under a public service pension scheme is not to be taken to affect the right to receive it].

<sup>F176</sup>(3A) .....

<sup>F176</sup>(3B) .....

(4) Part 1 of Schedule 28 gives the meaning of expressions used in the pension rules.

#### Textual Amendments

- F163** Words in s. 165(1) substituted (with effect as specified in Sch. 19 para. 29(1) to the amending Act) by [Finance Act 2007 \(c. 11\)](#), **Sch. 19 para. 2(2)(a)**
- F164** Words in s. 165(1) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 41(a)**
- F165** Words in s. 165(1) substituted (with effect as specified in Sch. 19 para. 29(1) to the amending Act) by [Finance Act 2007 \(c. 11\)](#), **Sch. 19 para. 2(2)(b)**
- F166** Words in s. 165(1) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 41(b)**
- F167** Words in s. 165(1) substituted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 41(c)**
- F168** Words in s. 165(1) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 1(2)(a)(i)**
- F169** Words in s. 165(1) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 1(2)(a)(ii)**
- F170** Words in s. 165(1) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 1(2)(b)**
- F171** Words in s. 165(1) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 1**
- F172** Word in s. 165(1) substituted (with effect in accordance with s. 41(6) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), **s. 41(1)**
- F173** Words in s. 165(1) omitted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 1(2)(c)**; and omitted (6.4.2015) by virtue of [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 32(1)(a)(4)**
- F174** Words in s. 165(3)(a) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 64**
- F175** Words in s. 165(3) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), **Sch. 10 paras. 7, 64(1)**
- F176** S. 165(3A)(3B) omitted (6.4.2015) by virtue of [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 32(1)(b)(4)**

#### Modifications etc. (not altering text)

- C26** S. 165 modified (6.4.2006) by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\) Regulations 2006 \(S.I. 2006/207\)](#), regs. 1(1), **6**
- C27** S. 165 modified (27.7.2010) by [Finance \(No. 2\) Act 2010 \(c. 31\)](#), **Sch. 3 para. 2(1)(2)(a)** (with [Sch. 2 para. 2\(1\)](#))
- C28** S. 165 modified (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 90(2)(a)**

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- C29** S. 165 modified (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\), Sch. 16 para. 91\(2\)\(a\)](#)
- C30** S. 165 modified by The Pensions Schemes (Application of UK Provisions to Relevant Non-UK Schemes) Regulations 2006 (S.I. 2006/207), reg. 6 (as substituted (with effect in accordance with reg. 1(2) of the amending S.I.) by [S.I. 2012/1795, regs. 1\(1\), 3](#))
- C31** S. 165(1) modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\), arts. 1\(1\), 3, 4\(1\)\(2\)](#)

#### Commencement Information

- I18** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 166 Lump sum rule

- (1) This is the rule relating to the payment of lump sums by a registered pension scheme to a member of the pension scheme (“the lump sum rule”).

### *Lump sum rule*

No lump sum may be paid other than—

- (a) a pension commencement lump sum,
  - (b) a serious ill-health lump sum,
  - <sup>[F177]</sup>(ba) an uncrystallised funds pension lump sum,]
  - (c) a short service refund lump sum,
  - (d) a refund of excess contributions lump sum,
  - (e) a trivial commutation lump sum,
  - (f) a winding-up lump sum, <sup>F178</sup> ...
  - (g) a lifetime allowance excess lump sum<sup>[F179]</sup>, or
  - (h) a transitional 2013/14 lump sum.]
- (2) For the purposes of this Part, a person becomes entitled to a lump sum under a registered pension scheme—
- <sup>[F180]</sup>(za) in the case of a pension commencement lump sum to which paragraph 1B of Schedule 29 applies (certain sums paid before 6 April 2015), immediately before the person becomes entitled to the actual pension (see paragraph 1B(2)(h) of that Schedule),]
  - (a) in the case <sup>[F181]</sup>of any other] pension commencement lump sum, immediately before the person becomes entitled to the pension in connection with which it is paid <sup>[F182]</sup>(or, if the person dies before becoming entitled to the pension in connection with which it was anticipated it would be paid, immediately before death)],
  - <sup>[F183]</sup>(aa) in the case of an uncrystallised funds pension lump sum, immediately before it is paid,] and
  - (b) in any other case, when the person acquires an actual (rather than a prospective) right to receive the lump sum.
- (3) Part 1 of Schedule 29 gives the meaning of expressions used in the lump sum rule.
- (4) Schedule 36 contains (in Part 3) transitional provisions about lump sums.

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[<sup>F184</sup>(5) The Commissioners for Her Majesty's Revenue and Customs may by regulations amend Part 1 of Schedule 29, or Part 3 of Schedule 36, in connection with cases involving a lump sum within subsection (6).

(6) A lump sum is within this subsection if—

- (a) the sum is paid on or after 19 September 2013 and before 6 April 2015, or
- (b) the sum is paid before 19 September 2013, a contract for a lifetime annuity is entered into to provide the pension in connection with which the sum is paid, and on or after 19 March 2014 the contract is cancelled.

(7) The provision that may be made under subsection (5) includes provision altering the effect of amendments made by the Finance Act 2014.]

#### Textual Amendments

- F177** S. 166(1)(ba) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 54**
- F178** Word in s. 166(1) omitted (19.3.2014) by virtue of [Finance Act 2014 \(c. 26\)](#), **Sch. 5 paras. 5(1), 15**
- F179** S. 166(1)(h) and preceding word inserted (19.3.2014) by [Finance Act 2014 \(c. 26\)](#), **Sch. 5 paras. 5(1), 15**
- F180** S. 166(2)(za) inserted (19.3.2014) by [Finance Act 2014 \(c. 26\)](#), **Sch. 5 paras. 2(2)(a), 15**
- F181** Words in s. 166(2)(a) substituted (19.3.2014) by [Finance Act 2014 \(c. 26\)](#), **Sch. 5 paras. 2(2)(b), 15**
- F182** Words in s. 166(2)(a) inserted (retrospective to 6.4.2006) by [Finance Act 2007 \(c. 11\)](#), **Sch. 20 paras. 9, 24(3)**
- F183** S. 166(2)(aa) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 55**
- F184** S. 166(5)-(7) inserted (19.3.2014) by [Finance Act 2014 \(c. 26\)](#), **Sch. 5 paras. 13, 15**

#### Modifications etc. (not altering text)

- C32** S. 166 applied (with modifications) (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, **11**
- C33** S. 166(1) modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), **25(1)-(3)**
- C34** S. 166(2) modified by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), art. 23B (as inserted (1.6.2009) by [S.I. 2009/1172](#), arts. 1, **3**)
- C35** S. 166(2)(a) modified by [S.I. 2006/572](#), art. 23ZE(2) (as inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Taxation of Pension Schemes \(Transitional Provisions\) \(Amendment\) Order 2011 \(S.I. 2011/732\)](#), arts. 1(1), **3**)
- C36** S. 166(2)(a) modified by [S.I. 2006/572](#), art. 23ZC(2) (as inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Taxation of Pension Schemes \(Transitional Provisions\) \(Amendment\) Order 2011 \(S.I. 2011/732\)](#), arts. 1(1), **3**)

#### Commencement Information

- I19** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 167 Pension death benefit rules

(1) These are the rules relating to the payment of pension death benefits by a registered pension scheme in respect of a member of the pension scheme (“the pension death benefit rules”).

*Pension death benefit rule 1*

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No payment of pension death benefit may be made otherwise than to a dependant<sup>F185</sup>, or nominee or successor,] of the member.

*Pension death benefit rule 2*

No payment of pension death benefit other than a dependants' scheme pension may be made in respect of a defined benefits arrangement.

*Pension death benefit rule 3*

[<sup>F186</sup>No payment of pension death benefit] other than—

- (a) a dependants' scheme pension,
- (b) a dependants' annuity, or
- (c) [<sup>F187</sup>dependants' drawdown pension,]

may be made to [<sup>F188</sup>a dependant] in respect of a money purchase arrangement; but a dependants' scheme pension may only be paid if the member or dependant had an opportunity to select a dependants' annuity instead.

*[<sup>F189</sup>Pension death benefit rule 3A*

No payment of pension death benefit, other than [<sup>F190</sup>a nominees' annuity in respect of a money purchase arrangement or] nominees' drawdown pension in respect of a money purchase arrangement, may be made to a nominee of the member.]

*[<sup>F189</sup>Pension death benefit rule 3B*

No payment of pension death benefit, other than [<sup>F191</sup>a successors' annuity in respect of a money purchase arrangement or] successors' drawdown pension in respect of a money purchase arrangement, may be made to a successor of the member.]

*[<sup>F192</sup>Pension death benefit rule 4*

The total amount of dependants' drawdown pension paid to a dependant in each drawdown pension year [<sup>F193</sup>from, or under a dependants' short-term annuity purchased using sums or assets out of, the dependant's drawdown pension fund] in respect of a money purchase arrangement must not exceed [<sup>F194</sup>150%] of the basis amount for the drawdown pension year.

<sup>F195</sup> ...]

<sup>F196</sup> .....

<sup>F196</sup> .....

[<sup>F197</sup>(1A) For the purposes of this Part, a person becomes entitled to dependants' income withdrawal, nominees' income withdrawal or successors' income withdrawal under a registered pension scheme whenever sums or assets held for the purposes of an arrangement under the pension scheme are designated as available for the payment of (as the case may be) dependants' drawdown pension, nominees' drawdown pension or successors' drawdown pension.]

(2) [<sup>F198</sup>In this part “pension] death benefit” means a pension payable on the death of the member (other than a member’s pension payable after the member’s death under pension rule 2: see section 165)[<sup>F199</sup>, or a pension payable in respect of the member on the subsequent death of a dependant, nominee or successor of the member].

<sup>F200</sup>(2A) .....

<sup>F200</sup>(2B) .....

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(3) Part 2 of Schedule 28 gives the meaning of expressions used in the pension death benefit rules.

#### Textual Amendments

- F185** Words in s. 167 inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 2 para. 2(2)**
- F186** Words in s. 167(1) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 11(2)(a)(i)**
- F187** Words in s. 167(1) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 11(2)(a)(ii)**
- F188** Words in s. 167(1) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 11(2)(a)(iii)**
- F189** Words in s. 167 inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 2 para. 2(3)**
- F190** Words in s. 167(1) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), **Sch. 4 para. 2(2)**
- F191** Words in s. 167(1) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), **Sch. 4 para. 2(3)**
- F192** Words in s. 167(1) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 11(2)(b)**
- F193** Words in s. 167(1) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 6**
- F194** Word in s. 167(1) substituted (with effect in accordance with s. 41(6) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), **s. 41(2)**
- F195** Words in s. 167(1) omitted (6.4.2015) by virtue of [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 32(1)(c)(4)**
- F196** Words in s. 167(1) omitted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 11(2)(c)**
- F197** S. 167(1A) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 2 para. 2(4)**
- F198** Words in s. 167(2) substituted (retrospective to 6.4.2006) by [Finance Act 2007 \(c. 11\)](#), **Sch. 20 paras. 22(1), 24(3)**
- F199** Words in s. 167(2) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 2 para. 2(5)**
- F200** S. 167(2A)(2B) omitted (6.4.2015) by virtue of [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 32(1)(d)(4)**

#### Modifications etc. (not altering text)

- C37** S. 167 modified (6.4.2006) by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\) Regulations 2006 \(S.I. 2006/207\)](#), regs. 1(1), 7
- C38** S. 167 modified (27.7.2010) by [Finance \(No. 2\) Act 2010 \(c. 31\)](#), **Sch. 3 para. 2(1)(2)(c)** (with [Sch. 2 para. 2\(1\)](#))
- C39** S. 167 modified (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 99(2)(a)**
- C40** S. 167 modified (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 98(2)(a)**
- C41** S. 167 modified by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\) Regulations 2006 \(S.I. 2006/207\)](#), reg. 7 (as substituted (with effect in accordance with reg. 1(2) of the amending S.I.) by [S.I. 2012/1795](#), regs. 1(1), 4)
- C42** S. 167(1) modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), 3, 4(3)(4)

#### Commencement Information

- I20** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

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## 168 Lump sum death benefit rule

- (1) This is the rule relating to the payment of lump sum death benefits by a registered pension scheme in respect of a member of the pension scheme (“the lump sum death benefit rule”).

### *Lump sum death benefit rule*

No lump sum death benefit may be paid other than—

- (a) a defined benefits lump sum death benefit,
- (b) a pension protection lump sum death benefit,
- (c) an uncrystallised funds lump sum death benefit,
- (d) an annuity protection lump sum death benefit,
- [<sup>F201</sup>(e) a drawdown pension fund lump sum death benefit,]
- [<sup>F202</sup>(ea) a flexi-access drawdown fund lump sum death benefit,]
- (f) a charity lump sum death benefit,
- <sup>F203</sup>(g) .....
- (h) a trivial commutation lump sum death benefit, or
- (i) a winding-up lump sum death benefit.

- (2) In this Part “lump sum death benefit” means a lump sum payable on the death of the member [<sup>F204</sup>, or a lump sum payable in respect of the member on the subsequent death of a dependant, nominee or successor of the member.]
- (3) Part 2 of Schedule 29 gives the meaning of expressions used in the lump sum death benefit rule.
- (4) Schedule 36 contains (in Part 3) transitional provision about lump sum death benefits.

### **Textual Amendments**

- F201** S. 168(1)(e) substituted (with effect in accordance with Sch. 16 paras. 85, 103 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 65**
- F202** S. 168(1)(ea) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 7**
- F203** S. 168(1)(g) repealed (19.7.2007) (with effect in accordance with Sch. 19 para. 29(3) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), **Sch. 19 para. 5**, **Sch. 27 Pt. 3(1)**
- F204** Words in s. 168(2) inserted (15.7.2015) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), **s. 22(9)(13)**

### **Modifications etc. (not altering text)**

- C43** S. 168 applied (with modifications) (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, 14
- C44** S. 168(1) modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), 6, 8(1)(2)

### **Commencement Information**

- I21** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284



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## 169 Recognised transfers

- (1) A “recognised transfer” is a transfer of sums or assets held for the purposes of, or representing accrued rights under, a registered pension scheme so as to become held for the purposes of, or to represent rights under—
- (a) another registered pension scheme, or
  - (b) a qualifying recognised overseas pension scheme,
- in connection with a member of that pension scheme.

[<sup>F205</sup>(1A) A transfer of sums or assets held for the purposes of, or representing accrued rights under, a registered pension scheme to an insurance company is to be treated as a recognised transfer if the sums or assets had been applied by the pension scheme towards the provision of a scheme pension or a dependants' scheme pension (but subject to regulations under subsections (1B) and (1C)).

- (1B) The Board of Inland Revenue may by regulations provide that, where any of the sums or assets transferred represent rights in respect of a scheme pension to which a member of a registered pension scheme has become entitled (“the original scheme pension”)—
- (a) the transfer is not a recognised transfer unless those sums and assets are, after the transfer, applied towards the provision of a scheme pension (a “new scheme pension”), and
  - (b) if they are so applied, the new scheme pension is to be treated, to such extent as is prescribed by the regulations and for such of the purposes of this Part as are so prescribed, as if it were the original scheme pension.

- (1C) The Board of Inland Revenue may by regulations provide that, where any of the sums or assets transferred represent rights in respect of a dependants' scheme pension to which a dependant of a member of a registered pension scheme has become entitled in respect of the member (“the original dependants' scheme pension”)—
- (a) the transfer is not a recognised transfer unless those sums and assets are, after the transfer, applied towards the provision of a dependants' scheme pension (a “new dependants' scheme pension”), and
  - (b) if they are so applied, the new dependants' scheme pension is to be treated, to such extent as is prescribed by the regulations and for such of the purposes of this Part as are so prescribed, as if it were the original dependants' scheme pension.

- (1D) The Board of Inland Revenue may by regulations provide that, where any of the sums or assets transferred represent—

- (a) a [<sup>F206</sup>member's drawdown pension fund or dependant's drawdown pension fund], <sup>F207</sup>... [<sup>F208</sup>or
- (aa) a member's flexi-access drawdown fund or dependant's flexi-access drawdown fund,]<sup>F209</sup>or
- (ab) a nominee's flexi-access drawdown fund, or
- (ac) a successor's flexi-access drawdown fund,]
- <sup>F207</sup>(b) .....

under an arrangement (“the old arrangement”), the transfer is not a recognised transfer unless all of those sums and assets become held under an arrangement under which no other sums or assets are held (“the new arrangement”).

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- (1E) If regulations so provide they may make in relation to cases in which the sums and assets become so held provision as to the treatment for the purposes of any provision of this Part of—
- (a) the sums and assets transferred, and
  - (b) the new arrangement,
- including provision for treating the sums and assets transferred as remaining, to such extent as is prescribed by the regulations and for such of the purposes of this Part as are so prescribed, sums and assets held under the old arrangement.]
- (2) For the purposes of this Part a recognised overseas pension scheme is a qualifying recognised overseas pension scheme if—
- (a) the scheme manager has given to the Inland Revenue notification that it is a recognised overseas pension scheme and has provided any such evidence that it is a recognised overseas pension scheme as the Inland Revenue may require,
  - (b) the scheme manager has undertaken to the Inland Revenue to inform the Inland Revenue if it ceases to be a recognised overseas pension scheme,
  - [<sup>F210</sup>(ba) the scheme manager has confirmed to an officer of Revenue and Customs that the scheme manager understands the scheme manager's potential liability to overseas transfer charge and has undertaken to such an officer to operate the charge including by meeting the scheme manager's liabilities to the charge,]
  - (c) the scheme manager has undertaken to the Inland Revenue to comply with [<sup>F211</sup>any requirements imposed under subsection (4)], and
  - (d) the recognised overseas pension scheme is not excluded from being a qualifying recognised overseas pension scheme by subsection (5).
- [<sup>F212</sup>(2A) Regulations may make provision as to—
- (a) information that is to be included in, or is to accompany, a notification under subsection (2)(a);
  - (b) the way and form in which such a notification, or any required information or evidence, is to be given or provided.]

(3) In this Part “scheme manager”, in relation to a pension scheme, means the person or persons administering, or responsible for the management of, the pension scheme.

[<sup>F213</sup>(4) Regulations may require the scheme manager of a QROPS or former QROPS to—

    - (a) give the Commissioners information of a prescribed description,
    - (b) give the Commissioners such evidence as they may require of a prescribed matter,
    - [<sup>F214</sup>(ba) give information of a prescribed description to the scheme manager of a QROPS or former QROPS,
    - (bb) give information of a prescribed description to the scheme administrator of a registered pension scheme,
    - (bc) give information of a prescribed description to a member, or former member, of the QROPS or former QROPS,] and
    - (c) give a prescribed authority, in prescribed circumstances, information of a prescribed description.

[<sup>F215</sup>(4ZA) Regulations may require a member, or former member, of a QROPS or former QROPS to give information of a prescribed description to the scheme manager of a QROPS or former QROPS.]

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- (4A) Regulations under subsection (4) [<sup>F216</sup>or (4ZA)] may make provision as to—
- (a) the way and form in which information or evidence is to be given, and
  - (b) the times or intervals at which information or evidence is to be given.
- (4B) The regulations may apply any provision of Part 7 of Schedule 36 to FA 2008 (penalties), with or without modifications, in relation to requirements imposed under the regulations on a former QROPS.]
- [<sup>F217</sup>(4C) Provision under subsection (2A)(b) or (4A)(a) may, in particular, provide for use of a way or form specified by the Commissioners.]
- (5) A recognised overseas pension scheme is excluded from being a qualifying recognised overseas pension scheme by this subsection if [<sup>F218</sup>the Commissioners have] decided that—
- (a) [<sup>F219</sup>any of the following conditions is met in relation to the scheme—
    - (i) there has been a failure to comply with a relevant requirement and the failure is significant,
    - (ii) any information given pursuant to a relevant requirement is [<sup>F220</sup>inaccurate] in a material respect,
    - (iii) any declaration given pursuant to a relevant requirement is false in a material respect,
    - (iv) there is no scheme manager,] and
  - (b) by reason of [<sup>F221</sup>that condition being met] it is not appropriate that transfers of sums or assets held for the purposes of, or representing accrued rights under, registered pension schemes so as to become held for the purposes of, or to represent rights under, the recognised overseas pension scheme should be recognised transfers,
- and has notified the person or persons appearing to be the scheme manager of that decision (but subject to subsection (7) and section 170).
- [<sup>F222</sup>(6) A failure to comply with a requirement is significant if—
- (a) it is a failure to give information or evidence that is (or may be) of significance, or
  - (b) there are reasonable grounds for believing that the failure prejudices (or might prejudice) the assessment or collection of tax by the Commissioners.]

(7) The Inland Revenue—

    - (a) may at any time after a recognised overseas pension scheme becomes excluded from being a qualifying recognised overseas pension scheme decide that the pension scheme is to cease to be so excluded, and
    - (b) must notify the scheme manager of the decision.

[<sup>F223</sup>(7A) Regulations may, in a case where—

    - (a) any of the sums and assets transferred by a relevant overseas transfer represent rights in respect of a pension to which a person has become entitled under the transferring scheme (“the original pension”), and
    - (b) those sums and assets are, after the transfer, applied towards the provision of a pension under the other scheme (“the new pension”),

provide that the new pension is to be treated, to such extent as is prescribed and for such of the purposes of this Part as are prescribed, as if it were the original pension.

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(7B) For the purposes of subsection (7A), a “relevant overseas transfer” is a transfer of sums or assets held for the purposes of, or representing accrued rights under, a relevant overseas scheme (“the transferring scheme”) so as to become held for the purposes of, or to represent rights under—

- (a) another relevant overseas scheme, or
- (b) a registered pension scheme,

in connection with a member of that pension scheme.

(7C) In subsection (7B) “relevant overseas scheme” means—

- (a) a QROPS, or
- (b) a relevant non-UK scheme (see paragraph 1(5) of Schedule 34).

(7D) Regulations under subsection (7A) may—

- (a) apply generally or only in specified cases, and
- (b) make different provision for different cases.]

[<sup>F224</sup>(8) In subsections (4) to (6) [<sup>F225</sup>, (7A) to (7D)] and this subsection—

“the Commissioners” means the Commissioners for Her Majesty's Revenue and Customs;

“prescribed” means prescribed by regulations;

“QROPS” means a qualifying recognised overseas pension scheme, and “former QROPS” means a scheme that has at any time been a QROPS;

“regulations” means regulations made by the Commissioners;

“relevant requirement” means—

- (a) a requirement imposed by regulations under subsection (4), or
- (b) a requirement imposed by virtue of Part 1 of Schedule 36 to FA 2008 (powers to obtain information and documents)<sup>F226</sup>, or
- (c) a requirement to pay overseas transfer charge, or interest on overseas transfer charge, imposed by regulations under section 244L(2) or by an assessment under such regulations.]]

#### Textual Amendments

- F205** S. 169(1A)-(1E) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 36](#), 64(1)
- F206** Words in s. 169(1D)(a) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 66\(a\)](#)
- F207** S. 169(1D)(b) and preceding word omitted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 66\(b\)](#)
- F208** S. 169(1D)(aa) and preceding word inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 8](#)
- F209** S. 169(1D)(ab)(ac) and preceding word inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 4](#)
- F210** S. 169(2)(ba) inserted (with effect in accordance with Sch. 4 para. 25 of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 4 paras. 13\(2\)](#), 25(3)
- F211** Words in s. 169(2)(c) substituted (17.7.2013) by [Finance Act 2013 \(c. 29\)](#), [s. 53\(3\)](#)
- F212** S. 169(2A) inserted (retrospective to 9.3.2017 and with effect in accordance with Sch. 4 para. 25 of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 4 para. 13\(3\)](#)
- F213** S. 169(4)-(4B) substituted for s. 169(4) (17.7.2013) by [Finance Act 2013 \(c. 29\)](#), [s. 53\(4\)](#)
- F214** S. 169(4)(ba)-(bc) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 92](#)

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- F215** S. 169(4ZA) inserted (retrospective to 9.3.2017 and with effect in accordance with Sch. 4 para. 25 of the amending Act) by [Finance Act 2017 \(c. 10\)](#), **Sch. 4 para. 13(4)**
- F216** Words in s. 169(4A) inserted (retrospective to 9.3.2017 and with effect in accordance with Sch. 4 para. 25 of the amending Act) by [Finance Act 2017 \(c. 10\)](#), **Sch. 4 para. 13(5)**
- F217** S. 169(4C) inserted (retrospective to 9.3.2017 and with effect in accordance with Sch. 4 para. 25 of the amending Act) by [Finance Act 2017 \(c. 10\)](#), **Sch. 4 para. 13(6)**
- F218** Words in s. 169(5) substituted (17.7.2013) by [Finance Act 2013 \(c. 29\)](#), **s. 53(5)(a)**
- F219** S. 169(5)(a) substituted (17.7.2013) by [Finance Act 2013 \(c. 29\)](#), **s. 53(5)(b)**
- F220** Word in s. 169(5)(a)(ii) substituted (17.7.2014) by [Finance Act 2014 \(c. 26\)](#), **Sch. 7 para. 23(a)**
- F221** Words in s. 169(5)(b) substituted (17.7.2013) by [Finance Act 2013 \(c. 29\)](#), **s. 53(5)(c)**
- F222** S. 169(6) substituted (17.7.2013) by [Finance Act 2013 \(c. 29\)](#), **s. 53(6)**
- F223** S. 169(7A)-(7D) inserted (retrospective to 9.3.2017 and with effect in accordance with Sch. 4 para. 25 of the amending Act) by [Finance Act 2017 \(c. 10\)](#), **Sch. 4 para. 13(7)**
- F224** S. 169(8) inserted (17.7.2013) by [Finance Act 2013 \(c. 29\)](#), **s. 53(7)**
- F225** Words in s. 169(8) inserted (retrospective to 9.3.2017 and with effect in accordance with Sch. 4 para. 25 of the amending Act) by [Finance Act 2017 \(c. 10\)](#), **Sch. 4 para. 13(8)(a)**
- F226** Words in s. 169(8) inserted (retrospective to 9.3.2017 and with effect in accordance with Sch. 4 para. 25 of the amending Act) by [Finance Act 2017 \(c. 10\)](#), **Sch. 4 para. 13(8)(b)**

#### **Commencement Information**

- I22** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

### **170 Appeal against decision to exclude recognised overseas pension scheme**

- (1) This section applies where a recognised overseas pension scheme is excluded from being a qualifying recognised overseas pension scheme by a decision of the Inland Revenue under section 169(5).
- (2) The scheme manager may appeal against the decision.
- <sup>F227</sup>(3) .....
- <sup>F227</sup>(4) .....
- (5) An appeal under this section against a decision must be brought within the period of 30 days beginning with the day on which the notification of the decision was given.
- (6) [<sup>F228</sup>On an appeal that is notified to the tribunal, the tribunal] must consider whether the recognised overseas pension scheme ought to have been excluded from being a qualifying recognised overseas pension scheme.
- (7) If [<sup>F229</sup>the tribunal decides] that the recognised overseas pension scheme ought to have been excluded from being a qualifying recognised overseas pension scheme, [<sup>F230</sup>the tribunal must] dismiss the appeal.
- (8) If [<sup>F231</sup>the tribunal decides] that the recognised overseas pension scheme ought not to have been excluded from being a qualifying recognised overseas pension scheme, the recognised overseas pension scheme is to be treated as having remained a qualifying recognised overseas pension scheme (but subject to any further appeal <sup>F232</sup>...).

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### Textual Amendments

- F227** S. 170(3)(4) omitted (1.4.2009) by virtue of [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 425(2)**
- F228** Words in s. 170(6) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 425(3)**
- F229** Words in s. 170(7) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 425(4)(a)**
- F230** Words in s. 170(7) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 425(4)(b)**
- F231** Words in s. 170(8) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 425(5)(a)**
- F232** Words in s. 170(8) omitted (1.4.2009) by virtue of [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 425(5)(b)**

### Commencement Information

- I23** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 171 Scheme administration member payments

- (1) A “scheme administration member payment” is a payment by a registered pension scheme to or in respect of a [<sup>F233</sup>person who is or has been a] member of the pension scheme which is made for the purposes of the administration or management of the pension scheme.
- (2) But if a payment falling within subsection (1) exceeds the amount which might be expected to be paid to a person who was at arm’s length, the excess is not a scheme administration member payment.
- (3) Scheme administration member payments include in particular—
  - (a) the payment of wages, salaries or fees to persons engaged in administering the pension scheme, and
  - (b) payments made for the purchase of assets to be held for the purposes of the pension scheme.
- (4) A loan to or in respect of a [<sup>F234</sup>person who is or has been a] member of the pension scheme is not a scheme administration member payment.
- (5) Regulations made by the Board of Inland Revenue may provide that payments of a description specified in the regulations are, or are not, scheme administration member payments.

### Textual Amendments

- F233** Words in s. 171(1) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), **Sch. 23 para. 7**
- F234** Words in s. 171(4) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), **Sch. 23 para. 7**

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### Commencement Information

- I24** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## *Unauthorised member payments*

### 172 Assignment

- (1) Subsection (2) applies if a member of a registered pension scheme (or the member's personal representatives) assigns or agrees to assign
    - <sup>F235</sup>(a) any benefit, other than an excluded pension, to which the member (or any dependant<sup>F236</sup>, nominee or successor] of the member) has an actual or prospective entitlement under the pension scheme, or
    - (b) any right in respect of any sums or assets held for the purposes of any arrangement under the pension scheme].
  - (2) Unless the assignment or agreement is pursuant to a pension sharing order or provision, the pension scheme is to be treated as making an unauthorised payment to the member (or to the member's personal representatives in respect of the member).
  - (3) Subsection (4) applies if a person (or a person's personal representatives) assigns or agrees to assign
    - <sup>F237</sup>(a) any benefit, other than an excluded pension, to which the person has <sup>F238</sup>a] prospective entitlement under the pension scheme in respect of a member of the pension scheme, or
    - (b) any right in respect of any sums or assets held for the purposes of any arrangement relating to <sup>F239</sup>a member of the pension scheme] under the pension scheme].
  - (4) Unless the assignment or agreement is pursuant to a pension sharing order or provision, the pension scheme is to be treated as making an unauthorised payment to the person (or the person's personal representatives) in respect of the member.
  - (5) The amount of the unauthorised payment is the greater of—
    - (a) the consideration received in respect of the assignment or agreement, and
    - (b) the consideration which might be expected to be received in respect of the assignment or agreement if the parties to the transaction were at arm's length <sup>F240</sup> and any power to reduce the entitlement to the benefit or right did not exist].
  - (6) Where a pension scheme is treated by this section as having made an unauthorised payment in relation to an assignment (or an agreement to assign), payments by the pension scheme of the benefit <sup>F241</sup>or right] assigned (or agreed to be assigned) are not unauthorised payments.
- <sup>F242</sup>(6A) References in this section to a benefit to which the member or a person has an entitlement under the pension scheme includes rights to payments under—
  - (a) a scheme pension or dependants' scheme pension provided by the scheme administrator or as a result of the application of sums or assets held for the purposes of the pension scheme, or

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- (b) a lifetime annuity or dependants' annuity<sup>F243</sup>, or nominees' annuity or successors' annuity,] purchased by the application of sums or assets held for the purposes of the pension scheme.]

<sup>F244</sup>(7) An excluded pension is so much of any pension which under pension rule 2 may continue to be paid after the member's death as may be so paid.]

- (8) “Assignment” includes assignation and related expressions are to be read accordingly.

#### Textual Amendments

- F235** S. 172(1)(a)(b) substituted for words (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 37\(2\), 64\(1\)](#)
- F236** Words in s. 172(1)(a) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 5](#)
- F237** S. 172(3)(a)(b) substituted for words (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 37\(3\), 64\(1\)](#)
- F238** Word in s. 172(3)(a) substituted (21.7.2008) (with effect in accordance with Sch. 28 para. 15(1) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 28 para. 2\(2\)\(a\)](#)
- F239** Words in s. 172(3)(b) substituted (21.7.2008) (with effect in accordance with Sch. 28 para. 15(1) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 28 para. 2\(2\)\(b\)](#)
- F240** Words in s. 172(5)(b) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 37\(4\), 64\(1\)](#)
- F241** Words in s. 172(6) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 37\(5\), 64\(1\)](#)
- F242** S. 172(6A) inserted (21.7.2008) (with effect in accordance with Sch. 28 para. 15(1) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 28 para. 2\(3\)](#)
- F243** Words in s. 172(6A)(b) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 4 para. 8](#)
- F244** S. 172(7) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 37\(6\), 64\(1\)](#)

#### Commencement Information

- I25** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

#### <sup>F245</sup>172A Surrender

- (1) Subsection (2) applies if a member of a registered pension scheme surrenders or agrees to surrender—
- (a) any benefit, other than an excluded pension, to which the member (or any dependant<sup>F246</sup>, nominee or successor] of the member) has a prospective entitlement under an arrangement under the pension scheme,
  - <sup>F247</sup>(aa) [ any rights to payments under a lifetime annuity or dependants' annuity<sup>F248</sup>, or nominees' annuity or successors' annuity,] purchased by the application of sums or assets held for the purposes of the pension scheme,] or
  - (b) any right in respect of any sums or assets held for the purposes of any arrangement under the pension scheme.
- (2) The pension scheme is to be treated as making an unauthorised payment to the member.
- (3) Subsection (4) applies if a person surrenders or agrees to surrender—
- (a) any benefit, other than an excluded pension, to which the person has a prospective entitlement under an arrangement under the pension scheme <sup>F249</sup>[ in respect of] a member of a pension scheme, or



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- (b) any right in respect of any sums or assets held for the purposes of any arrangement relating to a member of the pension scheme under the pension scheme.
- (4) The pension scheme is to be treated as making an unauthorised payment to the person in respect of the member.
- (5) Subsections (2) and (4) do not apply to—
- (a) a surrender pursuant to a pension sharing order or provision,
  - (b) a surrender (or agreement to surrender) by the member in return for the conferring on a dependant<sup>F250</sup>, or nominee,] of an entitlement to benefits after the member's death,
  - <sup>F251</sup>(ba) [ a surrender (or agreement to surrender) by a dependant, nominee or successor of the member (“the beneficiary”) in return for the conferring, on a successor of the member, of an entitlement to benefits after the beneficiary's death,]
  - (c) a transfer of (or agreement to transfer) benefits or rights so as to become benefits or rights under another arrangement under the pension scheme relating to the member<sup>F252</sup>, dependant, nominee or successor],
  - <sup>F253</sup>(ca) [ a surrender of (or agreement to surrender) rights to payments under an annuity in any case covered by regulations under paragraph 3(2B) or 17(3) of Schedule 28;]
  - <sup>F254</sup>(d) .....
  - <sup>F255</sup>(da) [ a surrender made as part of a retirement-benefit activities compliance exercise,
  - (db) a surrender of a prospective entitlement to pension death benefits within section 167(1) or lump sum death benefits within section 168(1) (or both) made in order to comply with <sup>F256</sup>Part 5 of the Equality Act 2010, so far as relating to age, or the] Employment Equality (Age) Regulations (Northern Ireland) 2006 (or any regulations amending or replacing <sup>F257</sup>those Regulations)]
  - (e) a surrender (or agreement to surrender) which constitutes an assignment (or agreement to assign) within section 172, or
  - (f) any surrender (or agreement to surrender) of a description prescribed by regulations made by the Board of Inland Revenue.
- <sup>F258</sup>(5A) [ Subsection (5)(b) applies only if the entitlement is held (or is to be held) by the dependant<sup>F259</sup>, or nominee,] under an arrangement under the pension scheme relating to the member or dependant <sup>F260</sup>[or nominee].]
- <sup>F261</sup>(5B) [ Subsection (5)(ba) applies only if the entitlement is held (or is to be held) by the successor under an arrangement under the pension scheme relating to the beneficiary or successor.]
- (6) Regulations under subsection (5)(f) may include provision having effect in relation to times before they are made.
- (7) Subsections (2) and (4) do not apply to the surrender of a benefit to which the member (or a dependant <sup>F262</sup>or nominee or successor] of the member) has a prospective entitlement, or to which the person has a prospective entitlement in respect of a member, under an arrangement that is a defined benefits arrangement or cash balance arrangement unless—
- (a) in consequence of the surrender, the actual or prospective entitlement of another member (or dependant<sup>F263</sup>, or nominee or successor,] of another

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- member) of the pension scheme, or of another person in respect of another member, to benefits under the scheme is increased, and
- (b) the two members are or have been connected persons.
- (8) The amount of the unauthorised payment is the consideration that might be expected to be received if what is surrendered were assigned by a transaction between parties at arm's length and any power to reduce the entitlement to the benefit or right did not exist.
- (9) In this section “surrender”, in relation to any benefit or right of a member (or dependant of a member) of a pension scheme or other person, includes any schemes, arrangements or understandings of any kind (whether or not legally enforceable) the main purpose, or one of the main purposes, of which is to reduce the member's (or dependant's), or person's, entitlement to the benefit or right.
- [ References in this section to a benefit to which the member or a person has an
- <sup>F264</sup>(9A) entitlement under the pension scheme includes rights to payments under—
- (a) a scheme pension or dependants' scheme pension provided by the scheme administrator or as a result of the application of sums or assets held for the purposes of the pension scheme, or
- (b) a lifetime annuity or dependants' annuity<sup>F265</sup>, or nominees' annuity or successors' annuity,] purchased by the application of sums or assets held for the purposes of the pension scheme.]
- (10) [<sup>F266</sup>For the purposes of this section an] excluded pension is so much of any pension which under pension rule 2 may continue to be paid after the member's death as may be so paid.
- [ For the purposes of this section a surrender relating to an arrangement under the
- <sup>F267</sup>(10A) pension scheme (“the old arrangement”) is made as part of a retirement-benefit activities compliance exercise if—
- (a) it is made in connection with the making of an arrangement under another pension scheme relating to the member (“the new arrangement”),
- (b) the old arrangement and the new arrangement relate to the same employment,
- (c) both the rights surrendered and the rights conferred under the new arrangement consist of or include a prospective entitlement to pension death benefits within section 167(1) or lump sum death benefits within section 168(1) (or both),
- (d) the surrender and the making of the new arrangement constitute or form part of a transaction the purpose of which is to secure that the activities of the pension scheme are limited to retirement-benefit activities within the meaning of section 255 of the Pensions Act 2004 or Article 232 of the Pensions (Northern Ireland) Order 2005, and
- (e) the rights surrendered and the rights conferred under the new arrangement are not significantly different.]
- [<sup>F268</sup>(11) 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

**F245** Ss. 172A-172D inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 38, 64\(1\)](#)

**F246** Words in s. 172A(1)(a) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 6](#)

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- F247** S. 172A(1)(aa) inserted (21.7.2008) (with effect in accordance with Sch. 28 para. 15(2) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), **Sch. 28 para. 3(2)**
- F248** Words in s. 172A(1)(aa) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), **Sch. 4 para. 9(2)**
- F249** Words in s. 172A(3)(a) substituted (21.7.2008) (with effect in accordance with Sch. 28 para. 15(2) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), **Sch. 28 para. 3(3)**
- F250** Words in s. 172A(5)(b) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 2 para. 7(a)**
- F251** S. 172A(5)(ba) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 2 para. 7(b)**
- F252** Words in s. 172A(5)(c) substituted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 2 para. 7(c)**
- F253** S. 172A(5)(ca) inserted (21.7.2008) (with effect in accordance with Sch. 28 para. 15(2) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), **Sch. 28 para. 3(4)**
- F254** S. 172A(5)(d) omitted (with effect in accordance with Sch. 7 para. 12 of the amending Act) by virtue of [Finance Act 2014 \(c. 26\)](#), **Sch. 7 para. 10(2)**
- F255** S. 172A(5)(da)(db) inserted (retrospective to 6.4.2006) by [Finance Act 2007 \(c. 11\)](#), **Sch. 20 paras. 6(2), 24(3)**
- F256** Words in s. 172A(5)(db) substituted by 2010 c. 15, Sch. 26 Pt. 1 para. 58(a) (as inserted (E.W.S.) (1.10.2010) by [The Equality Act 2010 \(Consequential Amendments, Saving and Supplementary Provisions\) Order 2010 \(S.I. 2010/2279\)](#), art. 1(2), **Sch. 1 para. 5** (see S.I. 2010/2317, art. 2))
- F257** Words in s. 172A(5)(db) substituted by 2010 c. 15, Sch. 26 Pt. 1 para. 58(b) (as inserted (E.W.S.) (1.10.2010) by [The Equality Act 2010 \(Consequential Amendments, Saving and Supplementary Provisions\) Order 2010 \(S.I. 2010/2279\)](#), art. 1(2), **Sch. 1 para. 5** (see S.I. 2010/2317, art. 2))
- F258** S. 172A(5A) inserted (with effect in accordance with Sch. 7 para. 12 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), **Sch. 7 para. 10(3)**
- F259** Words in s. 172A(5A) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 2 para. 8(a)**
- F260** Words in s. 172A(5A) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 2 para. 8(b)**
- F261** S. 172A(5B) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 2 para. 9**
- F262** Words in s. 172A(7) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 2 para. 10(a)**
- F263** Words in s. 172A(7)(a) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 2 para. 10(b)**
- F264** S. 172A(9A) inserted (21.7.2008) (with effect in accordance with Sch. 28 para. 15(2) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), **Sch. 28 para. 3(5)**
- F265** Words in s. 172A(9A)(b) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), **Sch. 4 para. 9(3)**
- F266** Words in s. 172A(10) substituted (retrospective to 6.4.2006) by [Finance Act 2007 \(c. 11\)](#), **Sch. 20 paras. 6(3), 24(3)**
- F267** S. 172A(10A) inserted (retrospective to 6.4.2006) by [Finance Act 2007 \(c. 11\)](#), **Sch. 20 paras. 6(4), 24(3)**
- F268** S. 172A(11) 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. 469** (with Sch. 2)

## **172B Increase in rights of connected person on death**

- (1) This section applies if—
- (a) at any time after the death of a relevant member of a registered pension scheme, there is an increase in the pension rights of another member of the pension scheme which is attributable to the death, and
  - (b) the dead member and other member were connected persons immediately before the death.

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- (2) A member of a registered pension scheme is a relevant member if, immediately before his death, any of his rights under the pension scheme are—
- (a) rights to benefit to which the member (or any dependant [<sup>F269</sup>or nominee or successor] of the member) has a prospective entitlement under an arrangement under the pension scheme,
  - <sup>F270</sup>(aa) [ rights to payments under a scheme pension or dependants' scheme pension provided by the scheme administrator or as a result of the application of sums or assets held for the purposes of the pension scheme or under a lifetime annuity or dependants' annuity [<sup>F271</sup>, or nominees' annuity or successors' annuity,] purchased by the application of sums or assets held for the purposes of the pension scheme,] <sup>F272</sup>...
  - <sup>F273</sup>(ab) [ rights representing the nominee's flexi-access drawdown fund or successor's flexi-access drawdown fund in respect of an arrangement under the pension scheme,]
  - (b) rights representing the [<sup>F274</sup>member's drawdown pension fund or dependant's drawdown pension fund] in respect of an arrangement under the pension scheme [<sup>F275</sup>, or
  - (c) rights representing the member's flexi-access drawdown fund or dependant's flexi-access drawdown fund in respect of an arrangement under the pension scheme.]
- (3) There is at any time an increase in the pension rights of the other member of the pension scheme which is attributable to the death if—
- (a) the consideration which might be expected to be received in respect of an assignment (or assignation) of the benefits to which he [<sup>F276</sup>has an actual or prospective entitlement] under the pension scheme at that time, exceeds
  - (b) the consideration which might be expected to be received in respect of such an assignment (or assignation) immediately before that time,
- in consequence of the death (ignoring for the purposes of paragraphs (a) and (b) any power to reduce the entitlement to the benefits).
- (4) The pension scheme is to be treated as making an unauthorised payment to the other member (or to the other member's personal representatives) of an amount equal to the excess (but subject to subsection [<sup>F277</sup>(5)]).
- (5) The amount which would (apart from this subsection) constitute the unauthorised payment is to be reduced by so much of the excess as arises—
- <sup>F278</sup>(a) .....
  - (b) from the other member becoming entitled to pension death benefits or lump sum death benefits in respect of the dead member, or
  - (c) in any manner prescribed by regulations made by the Board of Inland Revenue.
- (6) Regulations under subsection (5)(c) may include provision having effect in relation to times before they are made.
- (7) This section does not apply if—
- <sup>F279</sup>(a) .....
  - (b) the benefits to which each of [<sup>F280</sup>at least 20 members of the pension scheme] [<sup>F281</sup>has an actual or prospective entitlement] under the pension scheme are increased at the same rate in consequence of the death.

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- [ This section does not apply if—
- <sup>F282</sup>(7A) (a) the increase mentioned in subsection (1)(a) is an increase in the rate of a dependants' annuity<sup>F283</sup>, nominees' annuity, successors' annuity] or dependants' scheme pension or in rights representing a [<sup>F284</sup>nominee's flexi-access drawdown fund, successor's flexi-access drawdown fund,]<sup>F285</sup>dependant's drawdown pension fund]<sup>F286</sup>or dependant's flexi-access drawdown fund], and
- (b) the increase is attributable to rights of the dead member to payments under a dependants' annuity<sup>F283</sup>, nominees' annuity, successors' annuity] or dependants' scheme pension or rights representing a [<sup>F284</sup>nominee's flexi-access drawdown fund, successor's flexi-access drawdown fund,]<sup>F287</sup>dependant's drawdown pension fund]<sup>F286</sup>or dependant's flexi-access drawdown fund].
- (7B) References in this section to a benefit to which the member or a person has an entitlement under the pension scheme includes rights to payments under—
- (a) a scheme pension or dependants' scheme pension provided by the scheme administrator or as a result of the application of sums or assets held for the purposes of the pension scheme, or
- (b) a lifetime annuity or dependants' annuity<sup>F288</sup>, or nominees' annuity or successors' annuity,] purchased by the application of sums or assets held for the purposes of the pension scheme.]
- (8) This section does not apply if the increase in the pension rights of the other member is brought about by an assignment (or agreement to assign) within section 172.

<sup>F289</sup>(8A) . . . . .

[<sup>F290</sup>(9) 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

- F245** Ss. 172A-172D inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 38, 64\(1\)](#)
- F269** Words in s. 172B(2)(a) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 11\(a\)](#)
- F270** S. 172B(2)(aa) inserted (21.7.2008) (with effect in accordance with Sch. 28 para. 15(3) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 28 para. 4\(2\)](#)
- F271** Words in s. 172B(2)(aa) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 4 para. 10\(2\)](#)
- F272** Word in s. 172B(2)(aa) omitted (17.12.2014) by virtue of [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 9\(a\)](#)
- F273** S. 172B(2)(ab) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 11\(b\)](#)
- F274** Words in s. 172B(2)(b) substituted (with effect in accordance with Sch. 16 paras. 85, 103 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 67\(2\)](#)
- F275** S. 172B(2)(c) and preceding word inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 9\(b\)](#)
- F276** Words in s. 172B(3)(a) substituted (21.7.2008) (with effect in accordance with Sch. 28 para. 15(3) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 28 para. 4\(3\)](#)
- F277** Word in s. 172B(4) substituted (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 19 para. 12\(3\)](#)
- F278** S. 172B(5)(a) repealed (19.7.2007) (with effect in accordance with Sch. 19 para. 29(3) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), [Sch. 19 para. 6](#), [Sch. 27 Pt. 3\(1\)](#)
- F279** S. 172B(7)(a) omitted (21.7.2008) (with effect in accordance with Sch. 28 para. 15(3) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 28 para. 4\(4\)\(a\)](#)

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- F280** Words in s. 172B(7)(b) substituted (21.7.2008) (with effect in accordance with Sch. 28 para. 15(3) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), **Sch. 28 para. 4(4)(b)**
- F281** Words in s. 172B(7)(b) substituted (21.7.2008) (with effect in accordance with Sch. 28 para. 15(3) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), **Sch. 28 para. 4(3)**
- F282** S. 172B(7A)(7B) inserted (21.7.2008) (with effect in accordance with Sch. 28 para. 15(3) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), **Sch. 28 para. 4(5)**
- F283** Words in s. 172B(7A) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), **Sch. 4 para. 10(3)**
- F284** Words in s. 172B(7A) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 2 para. 12**
- F285** Words in s. 172B(7A)(a) substituted (with effect in accordance with Sch. 16 paras. 85, 103 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 67(3)(a)**
- F286** Words in s. 172B(7A) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 10**
- F287** Words in s. 172B(7A)(b) substituted (with effect in accordance with Sch. 16 paras. 85, 103 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 67(3)(b)**
- F288** Words in s. 172B(7B)(b) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), **Sch. 4 para. 10(4)**
- F289** S. 172B(8A) 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. 67(4)**
- F290** S. 172B(9) 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. 470** (with Sch. 2)

**F291 172B Increase in rights on death arising from alternatively secured pension fund etc**

.....

**Textual Amendments**

- F245** Ss. 172A-172D inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), **Sch. 10 paras. 38, 64(1)**
- F291** S. 172BA 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. 68**

**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, 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 other than cash balance benefits.
- (3) “The permitted maximum” is—

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- (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>F292</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

**F245** Ss. 172A-172D inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 38, 64\(1\)](#)

**F292** 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](#))

### 172D Limit on increase in benefits

- (1) This section applies where, at any time during any pension input period in respect of a relevant arrangement relating to a member of an occupational pension scheme that is a registered pension scheme, the member and—
- (a) a sponsoring employer, or
  - (b) a person connected with a sponsoring employer.
- are connected persons.
- (2) If—
- (a) the pension input amount for the pension input period in respect of the relevant arrangement, exceeds
  - (b) the notional unconnected person input amount for the pension input period in respect of the relevant arrangement,
- the pension scheme is to be treated as making an unauthorised payment to the member (or to the member's personal representatives) of an amount equal to the excess.
- (3) A relevant arrangement is an arrangement under the pension scheme that is—
- (a) a defined benefits arrangement,
  - (b) a cash balance arrangement, or

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- (c) a hybrid arrangement under which the benefits that may be provided to or in respect of the member are, or include, defined benefits or cash balance benefits.
- (4) The pension input amount for a pension input period in respect of the relevant arrangement is to be determined in accordance with—
- (a) sections 230 to 232 if the relevant arrangement is a cash balance arrangement,
  - (b) sections 234 to [F293236A] if it is a defined benefits arrangement, and
  - (c) section 237 if it is a hybrid arrangement,
- treating references in those sections to the individual as to the member and treating section 237 as if the references to input amount B were omitted.
- (5) The notional unconnected person input amount for the pension input period in respect of the relevant arrangement is what the pension input amount, as so determined, would have been if the member were connected with—
- (a) a sponsoring employer, or
  - (b) a person connected with a sponsoring employer,
- at no time during the pension input period.
- [F294(6) 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

**F245** Ss. 172A-172D inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 38, 64\(1\)](#)

**F293** Word in s. 172D(4)(b) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 2](#)

**F294** S. 172D(6) 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. 472](#) (with [Sch. 2](#))

## 173 Benefits

- (1) A registered pension scheme is to be treated as having made an unauthorised payment to a [F295person who is or has been a] member of the pension scheme if an asset held for the purposes of the pension scheme is used to provide a benefit (other than a payment) to—
- (a) the [F296person], or
  - (b) a member of the [F297person's] family or household.
- (2) If the benefit is received by reason of an employment which is not [F298lower-paid employment as a minister of religion], subsection (1) does not apply.
- (3) If the benefit is received by reason of [F299an employment which is lower-paid employment as a minister of religion], subsection (1) only applies if—
- (a) it is a benefit to which Chapter 6 or 10 of the benefits code (cars and vans, and benefits not dealt with elsewhere in benefits code) would apply if the employment were not [F300lower-paid employment as a minister of religion],
  - (b) the pension scheme is an occupational pension scheme, and
  - (c) the [F301person], or a member of the [F302person's] family or household, is a director of, and has a material interest in, a sponsoring employer.



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- (4) A registered pension scheme is to be treated as having made an unauthorised payment in respect of a [<sup>F303</sup>person who is or has been a] member of the pension scheme if, after the [<sup>F304</sup>person's] death, an asset held for the purposes of the pension scheme is used to provide a benefit (other than a payment) to a person who, at the date of the [<sup>F304</sup>person's] death, was a member of the [<sup>F304</sup>person's] family or household.
- (5) The person who receives the benefit is to be treated as having received the unauthorised payment.
- (6) If the benefit is received by reason of an employment which is not [<sup>F305</sup>lower-paid employment as a minister of religion], subsections (4) and (5) do not apply.
- (7) If the benefit is received by reason of [<sup>F306</sup>an employment which is lower-paid employment as a minister of religion], subsections (4) and (5) only apply if—
- (a) paragraphs (a) and (b) of subsection (3) apply, and
  - (b) at the date of the [<sup>F307</sup>person's] death the [<sup>F308</sup>person], or a member of the [<sup>F307</sup>person's] family or household, was a director of, and had a material interest in, a sponsoring employer.
- [<sup>F309</sup>(7A) This section does not apply if—
- (a) the pension scheme is an investment-regulated pension scheme, and
  - (b) the asset consists of taxable property.]
- (8) The amount of an unauthorised payment treated as having been made by this section—
- (a) in relation to such benefits, and in such circumstances, as may be prescribed by regulations made by the Board of Inland Revenue, is an amount determined in accordance with the regulations, and
  - (b) otherwise, is the amount which would be the cash equivalent of the benefit under the benefits code if the benefit were received by reason of an employment and the benefits code applied to it.
- (9) For the purposes of subsection (8)—
- (a) references in the benefits code to the employee are to be treated as references to the [<sup>F310</sup>person who is or has been a] member, and
  - (b) references in the benefits code to the employer are to be treated as references to the pension scheme.
- (10) In this section—
- “the benefits code” has the meaning given by section 63(1) of ITEPA 2003,
  - “director” has the meaning given by section 67 of that Act,
  - [<sup>F311</sup>“lower-paid employment as a minister of religion” has the meaning given by section 290D of that Act,] and
  - “material interest” has the meaning given by section 68 of that Act.
- (11) Section 721 of ITEPA 2003 applies for the purposes of determining the members of a person’s family or household.

#### Textual Amendments

**F295** Words in s. 173(1) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 161\(2\), Sch. 23 para. 8\(2\)\(a\)](#)

**F296** Word in s. 173(1) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 161\(2\), Sch. 23 para. 8\(2\)\(b\)](#)

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- F297** Word in s. 173(1) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 161\(2\), Sch. 23 para. 8\(2\)\(c\)](#)
- F298** Words in s. 173(2) substituted (with effect in accordance with s. 13(4) of the amending Act) by [Finance Act 2015 \(c. 11\), Sch. 1 para. 25\(2\)](#)
- F299** Words in s. 173(3) substituted (with effect in accordance with s. 13(4) of the amending Act) by [Finance Act 2015 \(c. 11\), Sch. 1 para. 25\(3\)\(a\)](#)
- F300** Words in s. 173(3)(a) substituted (with effect in accordance with s. 13(4) of the amending Act) by [Finance Act 2015 \(c. 11\), Sch. 1 para. 25\(3\)\(b\)](#)
- F301** Word in s. 173(3) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 161\(2\), Sch. 23 para. 8\(3\)\(a\)](#)
- F302** Word in s. 173(3) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 161\(2\), Sch. 23 para. 8\(3\)\(b\)](#)
- F303** Words in s. 173(4) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 161\(2\), Sch. 23 para. 8\(4\)\(a\)](#)
- F304** Word in s. 173(4) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 161\(2\), Sch. 23 para. 8\(4\)\(b\)](#)
- F305** Words in s. 173(6) substituted (with effect in accordance with s. 13(4) of the amending Act) by [Finance Act 2015 \(c. 11\), Sch. 1 para. 25\(4\)](#)
- F306** Words in s. 173(7) substituted (with effect in accordance with s. 13(4) of the amending Act) by [Finance Act 2015 \(c. 11\), Sch. 1 para. 25\(5\)](#)
- F307** Word in s. 173(7)(b) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 161\(2\), Sch. 23 para. 8\(5\)\(a\)](#)
- F308** Word in s. 173(7)(b) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 161\(2\), Sch. 23 para. 8\(5\)\(b\)](#)
- F309** S. 173(7A) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 158\(2\), Sch. 21 para. 4](#)
- F310** Words in s. 173(9)(a) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 161\(2\), Sch. 23 para. 8\(6\)](#)
- F311** Words in s. 173(10) substituted (with effect in accordance with s. 13(4) of the amending Act) by [Finance Act 2015 \(c. 11\), Sch. 1 para. 25\(6\)](#)

#### Commencement Information

- I26** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 174 Value shifting

- (1) A registered pension scheme is to be treated as having made an unauthorised payment to a [<sup>F312</sup>person who is or has been a] member of the pension scheme if, in connection with any of the events mentioned in subsection (3) or a change in the value of a currency—
- (a) the value of an asset held for the purposes of the pension scheme is reduced or a liability of the pension scheme is increased, and
  - (b) the value of an asset held by or for the benefit of the [<sup>F313</sup>person] is increased, a liability of the [<sup>F313</sup>person] is reduced, or a liability of another person is reduced for the benefit of the [<sup>F313</sup>person].
- (2) But if the event or the change in the value of the currency occurs after the [<sup>F314</sup>person's] death—
- (a) the pension scheme is to be treated as having made an unauthorised payment in respect of the [<sup>F315</sup>person] (rather than to the [<sup>F315</sup>person]), and

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- (b) the person who holds the asset or is subject to the liability in relation to which subsection (1)(b) is satisfied is to be treated as having received the unauthorised payment.
- (3) The events are—
- (a) the creation, alteration, release or extinction of any power, right, option or liability relating to assets held for the purposes of the pension scheme (whether or not provided for in the terms on which the asset is acquired or held),
  - (b) the creation, alteration, release or extinction of any power, right or option relating to a liability of the pension scheme (whether or not provided for in the terms on which the liability is incurred),
  - (c) the exercise of, or failure to exercise, any power, right or option in relation to assets held for the purposes of the pension scheme or a liability of the pension scheme, or
  - (d) the exercise of, or failure to exercise, any power, right or option which constitutes an asset held for the purposes of the pension scheme,
- in a way which differs from that which might be expected if the parties to the transaction were at arm's length.
- (4) The amount of the unauthorised payment is the amount by which the reduction in value of the asset held for the purposes of the pension scheme, or the increase in the liability of the pension scheme, exceeds that which might be expected if the parties to the transaction were at arm's length.
- (5) Regulations made by the Board of Inland Revenue may make provision as to how the excess is to be calculated in relation to events of a description specified in the regulations (including provision as to the times at which the asset or liability is to be valued).

#### Textual Amendments

- F312** Words in s. 174(1) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 161\(2\), Sch. 23 para. 9\(2\)\(a\)](#)
- F313** Word in s. 174(1) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 161\(2\), Sch. 23 para. 9\(2\)\(b\)](#)
- F314** Word in s. 174(2) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 161\(2\), Sch. 23 para. 9\(3\)\(a\)](#)
- F315** Word in s. 174(2) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 161\(2\), Sch. 23 para. 9\(3\)\(b\)](#)

#### Commencement Information

- I27** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

### [<sup>F316</sup>174A] Taxable property held by investment-regulated pension schemes

- (1) An investment-regulated pension scheme is to be treated as making an unauthorised payment to a member of the pension scheme if—
- (a) the pension scheme acquires an interest in taxable property, and
  - (b) the interest is held by the pension scheme for the purposes of an arrangement under the pension scheme relating to the member.

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- (2) An investment-regulated pension scheme is to be treated as making an unauthorised payment to a member of the pension scheme if—
- (a) an interest in taxable property is held by the pension scheme for the purposes of an arrangement under the pension scheme relating to the member, and
  - (b) the property is improved.
- (3) An investment-regulated pension scheme is to be treated as making an unauthorised payment to a member of the pension scheme if—
- (a) an interest in property which is not residential property is held by the pension scheme for the purposes of an arrangement under the pension scheme relating to the member, and
  - (b) the property is converted or adapted to become residential property.
- (4) Schedule 29A makes provision supplementing this section; and in that Schedule—
- (a) Part 1 defines “investment-regulated pension scheme”,
  - (b) Part 2 defines “taxable property” (and “residential property”),
  - (c) Part 3 explains what it means to acquire, and to hold, an interest in taxable property, and
  - (d) Part 4 contains provision for calculating the amounts of unauthorised payments treated as made by this section and explains when the unauthorised payments are treated as made.]

#### Textual Amendments

**F316** S. 174A inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 158(2), [Sch. 21 para. 5](#)

### *Authorised employer payments*

#### **175 Authorised employer payments**

The only payments which a registered pension scheme that is an occupational pension scheme is authorised to make to or in respect of a [<sup>F317</sup>person who is or has been a] sponsoring employer are—

- (a) public service scheme payments (see section 176),
- (b) authorised surplus payments (see section 177),
- (c) compensation payments (see section 178),
- (d) authorised employer loans (see section 179),
- (e) scheme administration employer payments (see section 180), and
- (f) payments of a description prescribed by regulations made by the Board of Inland Revenue.

#### Textual Amendments

**F317** Words in s. 175 inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 10](#)

#### Modifications etc. (not altering text)

**C45** Ss. 175-181 excluded (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, **15**

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#### **Commencement Information**

**I28** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

### **176 Public service scheme payment**

A payment is a public service scheme payment if—

- (a) it is made by a public service pension scheme, and
- (b) it is not of a description prescribed by regulations made by the Board of Inland Revenue.

#### **Modifications etc. (not altering text)**

**C45** Ss. 175-181 excluded (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, **15**

#### **Commencement Information**

**I29** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

### **177 Authorised surplus payment**

For the purposes of this Part a payment is an authorised surplus payment if it is of a description prescribed by regulations made by the Board of Inland Revenue.

#### **Modifications etc. (not altering text)**

**C45** Ss. 175-181 excluded (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, **15**

#### **Commencement Information**

**I30** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

### **178 Compensation payments**

A payment is a compensation payment if it is made in respect of a member's liability to a sponsoring employer in respect of a criminal, fraudulent or negligent act or omission by the member.

#### **Modifications etc. (not altering text)**

**C45** Ss. 175-181 excluded (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, **15**

#### **Commencement Information**

**I31** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

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## 179 Authorised employer loan

- (1) A loan made to or in respect of a <sup>F318</sup>person who is or has been a] sponsoring employer is an authorised employer loan if—
  - (a) the amount loaned does not exceed an amount equal to 50% of the aggregate of the amount of the sums, and the market value of the assets, held for the purposes of the pension scheme immediately before the loan is made,
  - (b) the loan is secured by a charge which is of adequate value, and
  - (c) the repayment terms comply with subsection (2).
- (2) The repayment terms comply with this subsection if—
  - (a) the rate of interest payable on the loan is not less than the rate prescribed by regulations made by the Board of Inland Revenue,
  - (b) the loan repayment date is before the end of the period of five years beginning with the date on which the loan is made, or has been postponed to a date after the end of that period under subsection (3), and
  - (c) the amount payable in each period beginning with the date on which the loan is made, and ending with the last day of a loan year, is not less than the required amount.
- (3) If on a standard loan repayment date any amount (including interest) is owing, the loan repayment date may be postponed to a date before the end of the period of five years beginning with the standard loan repayment date.
- (4) The loan repayment date may be postponed under subsection (3) only once.
- (5) If the amount of a loan to or in respect of a <sup>F319</sup>person who is or has been a] sponsoring employer is increased, the amount of the increase is to be treated as a loan made on the date of the increase.
- (6) Schedule 30 gives the meaning of expressions used in this section and explains how to calculate the amount of the unauthorised payment when a loan to or in respect of a <sup>F320</sup>person who is or has been a] sponsoring employer does not comply with subsection (1).
- (7) In this section and that Schedule “charge” includes a right in security or an agreement to create a right in security; and any reference to assets subject to a charge or assets charged includes a reference to the property over which such a right is granted.
- (8) Schedule 36 contains (in Part 4) transitional provision about loans to sponsoring employers.

### Textual Amendments

**F318** Words in s. 179(1) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 11](#)

**F319** Words in s. 179(5) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 11](#)

**F320** Words in s. 179(6) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 11](#)

### Modifications etc. (not altering text)

**C45** Ss. 175-181 excluded (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, [15](#)

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### Commencement Information

**I32** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 180 Scheme administration employer payments

- (1) A “scheme administration employer payment” is a payment made—
  - (a) by a registered pension scheme that is an occupational pension scheme, and
  - (b) to or in respect of a [<sup>F321</sup>person who is or has been a] sponsoring employer, for the purposes of the administration or management of the pension scheme.
- (2) But if a payment falling within subsection (1) exceeds the amount which might be expected to be paid to a person who was at arm’s length, the excess is not a scheme administration employer payment.
- (3) Scheme administration employer payments include in particular—
  - (a) the payment of wages, salaries or fees to persons engaged in administering the pension scheme, and
  - (b) payments made for the purchase of assets to be held for the purposes of the pension scheme.
- (4) A loan to or in respect of a [<sup>F322</sup>person who is or has been a] sponsoring employer is not a scheme administration employer payment.
- (5) Payments made to acquire shares in a sponsoring employer are not scheme administration employer payments if, when the payment is made—
  - (a) the market value of shares in the sponsoring employer held for the purposes of the pension scheme is equal to or greater than 5% of the aggregate of the amount of the sums, and the market value of the assets, held for the purposes of the pension scheme, or
  - (b) the total market value of shares in sponsoring employers held for the purposes of the pension scheme is equal to or greater than 20% of the aggregate of the amount of the sums, and the market value of the assets, held for the purposes of the pension scheme.
- (6) Regulations made by the Board of Inland Revenue may provide that payments of a description specified in the regulations are, or are not, scheme administration employer payments.

### Textual Amendments

**F321** Words in s. 180(1) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 12](#)

**F322** Words in s. 180(4) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 12](#)

### Modifications etc. (not altering text)

**C45** Ss. 175-181 excluded (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, [15](#)

**C46** S. 180 modified (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Finance Act 2004, Section 180\(5\) \(Modification\) Regulations 2012 \(S.I. 2012/1258\)](#), regs. 1, [2](#)

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### Commencement Information

**I33** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## *Unauthorised employer payments*

### 181 Value shifting

- (1) A registered pension scheme that is an occupational pension scheme is to be treated as having made an unauthorised payment to a [<sup>F323</sup>person who is or has been a] sponsoring employer if, in connection with any of the events mentioned in subsection (2) or a change in the value of a currency—
- (a) the value of an asset held for the purposes of the pension scheme is reduced or a liability of the pension scheme is increased, and
  - (b) the value of an asset held by or for the benefit of the [<sup>F324</sup>person] is increased, a liability of the [<sup>F324</sup>person] is reduced, or a liability of another person is reduced for the benefit of the [<sup>F324</sup>person].
- (2) The events are—
- (a) the creation, alteration, release or extinction of any power, right, option or liability relating to assets held for the purposes of the pension scheme (whether or not provided for in the terms on which the asset is acquired or held),
  - (b) the creation, alteration, release or extinction of any power, right or option relating to a liability of the pension scheme (whether or not provided for in the terms on which the liability is incurred),
  - (c) the exercise of, or failure to exercise, any power, right or option in relation to assets held for the purposes of the pension scheme or a liability of the pension scheme, or
  - (d) the exercise of, or failure to exercise, any power, right or option which constitutes an asset held for the purposes of the pension scheme,
- in a way which differs from that which might be expected if the parties to the transaction were at arm's length.
- (3) The amount of the unauthorised payment is the amount by which the reduction in value of the asset held for the purposes of the pension scheme, or the increase in the liability of the pension scheme, exceeds that which might be expected if the parties to the transaction were at arm's length.
- (4) Regulations made by the Board of Inland Revenue may make provision as to how the excess is to be calculated in relation to events of a description specified in the regulations (including provision as to the times at which the asset or liability is to be valued).

### Textual Amendments

**F323** Words in s. 181(1) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 13\(a\)](#)

**F324** Word in s. 181(1) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 13\(b\)](#)



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**Modifications etc. (not altering text)**

**C45** Ss. 175-181 excluded (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, **15**

**Commencement Information**

**I34** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

*[<sup>F325</sup>Alternatively secured pensions]*

**Textual Amendments**

**F325** S. 181A and cross-heading inserted (19.7.2007) (with effect in accordance with Sch. 19 para. 29(2) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), **Sch. 19 para. 14**

<sup>F326</sup>**181A** **Minimum level of payment**

**Textual Amendments**

**F326** S. 181A omitted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 69**

*Borrowing*

**182** **Unauthorised borrowing: money purchase arrangements**

- (1) A registered pension scheme is not authorised to borrow an amount in respect of a money purchase arrangement unless the arrangement borrowing condition is met.
- (2) The arrangement borrowing condition is met if—

$$\left( APB + PB \right) < \frac{VA}{2}$$

where—

APB is the aggregate of the amounts previously borrowed in respect of the arrangement (excluding any amounts which have been repaid),

PB is the amount proposed to be borrowed in respect of the arrangement, and

VA is the value of the arrangement.

- (3) The value of the arrangement is the aggregate of—
  - (a) the amount of such of the sums and the market value of such of the assets as represent the [<sup>F327</sup>member's drawdown pension fund] in respect of the arrangement (if any),

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- [<sup>F328</sup>(aa) the amount of such of the sums and the market value of such of the assets as represent the member's flexi-access drawdown fund in respect of the arrangement (if any),]
  - (b) the amount of such of the sums and the market value of such of the assets as represent [<sup>F329</sup>dependants' drawdown pension funds][<sup>F330</sup>or dependants' flexi-access drawdown funds] in respect of the arrangement (if any),
  - [<sup>F331</sup>(ba) the amount of such of the sums and the market value of such of the assets as represent nominees' flexi-access drawdown funds in respect of the arrangement (if any),
  - (bb) the amount of such of the sums and the market value of such of the assets as represent successors' flexi-access drawdown funds in respect of the arrangement (if any),]
  - (c) the aggregate of the value of each scheme pension or dependants' scheme pension payable in respect of the arrangement, and
  - (d) the value of the uncrystallised rights under the arrangement.
- (4) The value of a scheme pension or dependants' scheme pension payable in respect of the arrangement is—

$$RVF \times ARP$$

where—

RVF is the relevant valuation factor (see section 276), and

ARP is the annual rate at which the pension is payable.

- (5) Rights are uncrystallised if no-one has become entitled to the present payment of benefits in respect of the rights; and a person is to be treated as entitled to the present payment of benefits in respect of the sums and assets representing the person's [<sup>F332</sup>drawdown pension fund][<sup>F333</sup>or the person's flexi-access drawdown fund].
- (6) If the arrangement is a cash balance arrangement, the value of the uncrystallised rights under the arrangement is the amount which would, on the valuation assumptions (see section 277), be available for the provision of benefits in respect of those rights if a person became entitled to benefits in respect of those rights.
- (7) If the arrangement is a money purchase arrangement other than a cash balance arrangement, the value of the uncrystallised rights under the arrangement is the aggregate of the amount of such of the sums, and the market value of such of the assets, held for the purposes of the arrangement as represent those rights.
- (8) If the arrangement is a hybrid arrangement under which either cash balance benefits or other money purchase benefits (but not defined benefits) may be provided, the value of the uncrystallised rights under the arrangement is the greater of—
  - (a) their value calculated under subsection (6) (on the assumption that cash balance benefits are provided), and
  - (b) their value calculated under subsection (7) (on the assumption that other money purchase benefits are provided).

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#### Textual Amendments

- F327** Words in s. 182(3)(a) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 70\(2\)\(a\)](#)
- F328** S. 182(3)(aa) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 11\(a\)](#)
- F329** Words in s. 182(3)(b) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 70\(2\)\(b\)](#)
- F330** Words in s. 182(3)(b) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 11\(b\)](#)
- F331** S. 182(3)(ba)(bb) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 13](#)
- F332** Words in s. 182(5) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 70\(3\)](#)
- F333** Words in s. 182(5) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 12](#)

#### Modifications etc. (not altering text)

- C47** Ss. 182-185 excluded (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), [regs. 1, 16](#)
- C48** S. 182 modified (retrospective to 6.4.2011) by [Finance Act 2011 \(c. 11\)](#), [s. 68\(2\)\(6\)](#)
- C49** S. 182 restricted (retrospective to 6.4.2011) by [Finance Act 2011 \(c. 11\)](#), [s. 68\(1\)\(6\)](#)

#### Commencement Information

- I35** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

### 183 Effect of unauthorised borrowing: money purchase arrangements

- (1) Subsection (2) applies if a registered pension scheme borrows in respect of a money purchase arrangement an amount which it is not authorised to borrow under section 182.
- (2) The pension scheme is to be treated as having made a scheme chargeable payment—
- if subsection (3) applies, of an amount calculated in accordance with subsection (4), and
  - otherwise, of the amount borrowed.
- (3) This subsection applies if, immediately before the amount is borrowed—

$$APB < \frac{VA}{2}$$

- (4) If subsection (3) applies, the amount of the scheme chargeable payment is—

$$APB + AB - \frac{VA}{2}$$

- (5) In subsections (3) and (4)—

APB is the aggregate of the amounts previously borrowed in respect of the arrangement (excluding any amounts which have been repaid),

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AB is the amount borrowed, and  
VA is the value of the arrangement, calculated in accordance with section 182(3), immediately before the amount is borrowed.

**Modifications etc. (not altering text)**

**C47** Ss. 182-185 excluded (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, **16**

**C50** S. 183 modified (retrospective to 6.4.2011) by [Finance Act 2011 \(c. 11\)](#), s. **68(2)(6)**

**Commencement Information**

**I36** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

**184 Unauthorised borrowing: other arrangements**

- (1) A registered pension scheme is not authorised to borrow an amount in respect of any arrangement which is not a money purchase arrangement unless the scheme borrowing condition is met.
- (2) The scheme borrowing condition is met if—

$$(APB + PB) < \frac{AARA}{2}$$

where—

APB is the aggregate of the amounts previously borrowed by the pension scheme in respect of arrangements which are not money purchase arrangements (excluding any amounts which have been repaid),

PB is the amount proposed to be borrowed by the pension scheme, and

AARA is the aggregate amount of the relevant sums and assets.

- (3) The aggregate amount of the relevant sums and assets is the aggregate of—
  - (a) the amount of the sums held for the purposes of such of the arrangements under the pension scheme as are not money purchase arrangements, and
  - (b) the market value of the assets held for the purposes of such of the arrangements under the pension scheme as are not money purchase arrangements.

**Modifications etc. (not altering text)**

**C47** Ss. 182-185 excluded (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, **16**

**Commencement Information**

**I37** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

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## 185 Effect of unauthorised borrowing: other arrangements

- (1) Subsection (2) applies if a registered pension scheme borrows, in respect of an arrangement which is not a money purchase arrangement, an amount which it is not authorised to borrow under section 184.
- (2) The pension scheme is to be treated as having made a scheme chargeable payment—
  - (a) if subsection (3) applies, of an amount calculated in accordance with subsection (4), and
  - (b) otherwise, of the amount borrowed.
- (3) This subsection applies if, immediately before the amount is borrowed—

$$APB < \frac{AARA}{2}$$

- (4) If subsection (3) applies, the amount of the scheme chargeable payment is—

$$APB + AB - \frac{AARA}{2}$$

- (5) In subsections (3) and (4)—

APB is the aggregate of the amounts previously borrowed by the pension scheme in respect of arrangements which are not money purchase arrangements (excluding any amounts which have been repaid),

AB is the amount borrowed, and

AARA is the aggregate amount of the relevant sums and assets, calculated in accordance with section 184(3), immediately before the amount is borrowed.

### Modifications etc. (not altering text)

**C47** Ss. 182-185 excluded (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, **16**

### Commencement Information

**I38** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

*<sup>F334</sup>Income and gains from taxable property*

### Textual Amendments

**F334** Ss. 185A-185I and cross-heading inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 158(2), [Sch. 21 para. 6](#)

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## 185A Income from taxable property

- (1) An investment-regulated pension scheme is to be treated as having made a scheme chargeable payment if the pension scheme holds an interest in taxable property in a tax year.
- (2) The amount of the scheme chargeable payment depends on whether a person who holds the interest in the property directly receives profits arising from the interest in the tax year.
- (3) If a person who holds the interest in the property directly receives such profits in the tax year, the amount of the scheme chargeable payment is the greater of—
  - (a) an amount equal to the amount of the annual profits from the interest in the property (see section 185B(1)), and
  - (b) the amount of the deemed profits from the interest in the property for the year (see sections 185B(2) and 185C).
- (4) If no person who holds the interest in the property directly receives such profits in the tax year, the amount of the scheme chargeable payment is the amount of the deemed profits from the interest in the property for the year (see sections 185B(2) and 185C).
- (5) But where section 185D applies, the amount of the scheme chargeable payment is the amount found under subsection (3) or (4) as apportioned to the pension scheme in accordance with that section.
- (6) Section 185E makes provision for credits against income tax charged under section 239 (scheme sanction charge) in respect of a scheme chargeable payment treated as made by virtue of this section.

### Modifications etc. (not altering text)

**C51** Ss. 185A-185I restricted by S.I. 2006/207, reg. 4B (as inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\)\(Amendment\) Regulations 2006 \(S.I. 2006/1960\)](#), reg. 9)

## 185B Annual profits and deemed profits

- (1) For the purposes of section 185A(3) the amount of the annual profits from the interest in the property is the total amount of profits received from the interest in the tax year—
  - (a) by each person who holds the interest directly, and
  - (b) at a time when the property is scheme-held taxable property.
- (2) For the purposes of section 185A(3) and (4) the amount of the deemed profits from the interest in the property for the tax year is—

$$DMV10 \times DTPDY$$

where—

DMV is the deemed market value of the interest in the property for the year (see section 185C),

DTP is the number of days in the year for which the property is scheme-held taxable property, and

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DY is the number of days in the year.

- (3) In this Part “scheme-held taxable property” means property—
- (a) which is taxable property, and
  - (b) an interest in which is held by the pension scheme.

**Modifications etc. (not altering text)**

**C51** Ss. 185A-185I restricted by S.I. 2006/207, reg. 4B (as inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\)\(Amendment\) Regulations 2006 \(S.I. 2006/1960\)](#), reg. 9)

**185C Deemed market value**

- (1) For the purposes of section 185B(2), where no person who holds the interest in the property directly during the tax year does so by virtue of a lease of residential property, the deemed market value of the interest for the year is—

$$(MV+UP)\times(1+RPI)$$

where—

MV is the opening market value (see subsection (2)),

UP is the total of any unauthorised payments treated as made by the pension scheme under section 174A in relation to the property in the tax year, other than any such payment treated as made by virtue of the property becoming scheme-held taxable property in the year, and

RPI is the figure expressed as a decimal which represents the percentage increase in the retail prices index between the first day in the tax year on which the property is scheme-held taxable property and the last such day (or, if there is no such increase, is nil).

- (2) In subsection (1) “the opening market value” means—
- (a) if the property is not scheme-held taxable property immediately before the beginning of the tax year, the market value of the interest in the property immediately after the time during the year when the property first becomes scheme-held taxable property, and
  - (b) otherwise, the deemed market value of the interest for the previous tax year.
- (3) For the purposes of section 185B(2), where a person who holds the interest in the property directly during the tax year does so by virtue of a lease of residential property, the deemed market value of the interest for the year is the relevant rental value of the property calculated in accordance with paragraph 34 of Schedule 29A on the following assumptions—
- (a) that the lease was granted when the property first became scheme-held taxable property;
  - (b) that the term of the lease is 50 years;
  - (c) that a fully commercial rent is payable for the first five years of that term;
  - (d) that afterwards the rent is reviewed on an upwards-only basis.

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**Modifications etc. (not altering text)**

**C51** Ss. 185A-185I restricted by S.I. 2006/207, reg. 4B (as inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\)\(Amendment\) Regulations 2006 \(S.I. 2006/1960\)](#), reg. 9)

**185D Apportionment to pension scheme**

- (1) This section applies where the pension scheme holds the interest in the property indirectly for the whole of the period in the tax year for which the property is scheme-held taxable property.
- (2) The amount that would otherwise be the amount of the scheme chargeable payment is to be apportioned to the pension scheme by applying paragraphs 41 to 43 of Schedule 29A to it as if it were the total taxable amount in relation to an unauthorised payment treated as made—
  - (a) by the pension scheme,
  - (b) in connection with the acquisition of the interest in the property, and
  - (c) at the end of the last day in the tax year on which the property is scheme-held taxable property.
- (3) But where—
  - (a) the amount found in relation to the pension scheme on the day mentioned in paragraph (c) of subsection (2), differs from
  - (b) the amount that would be found in relation to the pension scheme under that subsection on another day in the tax year on which the property is scheme-held taxable property,

the amount to be apportioned to the pension scheme under this section is the average of the amounts produced by applying subsection (2) in relation to the pension scheme on each day in the tax year on which the property is scheme-held taxable property.

**Modifications etc. (not altering text)**

**C51** Ss. 185A-185I restricted by S.I. 2006/207, reg. 4B (as inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\)\(Amendment\) Regulations 2006 \(S.I. 2006/1960\)](#), reg. 9)

**185E Credit for tax paid**

- (1) This section applies where—
  - (a) the pension scheme holds the interest in the property indirectly in the tax year,
  - (b) a person who holds the interest directly receives profits arising from the interest at a time in the tax year when the property is scheme-held taxable property,
  - (c) tax is payable on those profits by that person (assuming them to be the highest part of the person's income for the tax year in which they are received), and
  - (d) that tax has been paid.
- (2) The amount determined under subsection (3) is to be allowed as a credit against any income tax charged under section 239 in respect of the scheme chargeable payment



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treated as made by virtue of the pension scheme holding the interest in the property in the tax year.

- (3) That amount is a proportion of the tax payable and paid determined by reference to the proportion of the amount that would otherwise be the amount of the scheme chargeable payment that is apportioned to the pension scheme under section 185D.
- (4) Where—
  - (a) by virtue of this section an amount is allowed as a credit against income tax charged under section 239, and
  - (b) the amount of tax payable and paid by reference to which the amount of the credit was calculated is subsequently varied,the amount of the credit is to be varied accordingly, and any necessary adjustments are to be made to give effect to the variation (whether by making assessments or otherwise).

**Modifications etc. (not altering text)**

**C51** Ss. 185A-185I restricted by S.I. 2006/207, reg. 4B (as inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\)\(Amendment\) Regulations 2006 \(S.I. 2006/1960\)](#), reg. 9)

**185F Gains from taxable property**

- (1) An investment-regulated pension scheme is to be treated as having made a scheme chargeable payment where—
  - (a) in a tax year the pension scheme holds an interest in property which is taxable property or which has been taxable property at any time whilst the interest has been held by the pension scheme (a “taxable interest”),
  - (b) a gain is treated as accruing to the pension scheme in respect of the taxable interest in the tax year, and
  - (c) the total amount of gains treated as accruing to the pension scheme in respect of taxable interests in the tax year exceeds the total amount of losses treated as accruing to the pension scheme in respect of taxable interests in the tax year.
- (2) The amount of the scheme chargeable payment is an amount equal to the difference between—
  - (a) the total amount of gains treated as accruing to the pension scheme in respect of taxable interests in the tax year, and
  - (b) the total amount of losses treated as accruing to the pension scheme in respect of taxable interests in the tax year,(but this is subject to section 185G(10)).
- (3) A gain or loss is treated as accruing to a pension scheme in respect of a taxable interest in a tax year if—
  - (a) by virtue of section 185G a chargeable gain or allowable loss is treated for the purposes of this section as accruing in the tax year to the person who holds the taxable interest directly, or
  - (b) in the tax year the pension scheme or another vehicle ceases to hold all or part of an interest in a vehicle through which the pension scheme holds the taxable interest indirectly (see section 185H).

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**Modifications etc. (not altering text)**

**C51** Ss. 185A-185I restricted by S.I. 2006/207, reg. 4B (as inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\)\(Amendment\) Regulations 2006 \(S.I. 2006/1960\)](#), reg. 9)

**185G Disposal by person holding directly**

- (1) For the purposes of this section the person (“the transferor”) who holds the taxable interest directly is to be treated as holding an asset (a “taxable asset”) consisting of the interest.
- (2) For the purpose of determining—
  - (a) whether the transferor disposes of the taxable asset,
  - (b) when such a disposal takes place, and
  - (c) whether a chargeable gain or allowable loss is treated for the purposes of section 185F as accruing to the transferor on a disposal of the taxable asset in a tax year and, if so, the amount of the chargeable gain or allowable loss,
 TCGA 1992 is to be treated as applying to the transferor and the taxable asset, but subject as follows.
- (3) TCGA 1992 is to be treated as applying as if—
  - (a) throughout the tax year the transferor were resident<sup>F335</sup>... and domiciled in the United Kingdom,
  - (b) no allowable losses accrued to the transferor in any previous tax year,
  - <sup>F336</sup>(c) .....
  - (d) notice under section 16(2A) (losses) of that Act were given by the transferor in relation to the year in respect of any loss treated as accruing to the transferor in the year from a disposal of the taxable asset,
  - (e) section 45(1) (wasting assets) of that Act did not apply to a disposal of the taxable asset,
  - (f) for the purposes of section 53 (indexation allowance) of that Act the transferor were not chargeable to corporation tax in respect of any chargeable gain accruing to the transferor from a disposal of the taxable asset,
  - (g) section 171(1) (transfers within a group) of that Act did not apply to a disposal of the taxable asset (so that no election could be made in relation to such a disposal under section 171A (notional transfers within a group) of that Act), and
  - (h) sections 222 to 224 (relief on disposal of private residence) of that Act did not apply to a gain on a disposal of the taxable asset by virtue of section 225 (private residence occupied under terms of settlement) of that Act.
- (4) Where the taxable asset became taxable property whilst held directly by the pension scheme, TCGA 1992 is to be treated as applying to a disposal of the asset as if—
  - (a) the asset had been acquired by the transferor at the time it became taxable property, and
  - (b) the amount deductible under section 38(1)(a) (consideration for acquisition of asset) of that Act in respect of the disposal were the amount of the unauthorised payment treated as made by the pension scheme at that time.

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- (5) Subsections (6) to (8) apply where the pension scheme holds the taxable asset indirectly.
- (6) TCGA 1992 is to be treated as applying to a disposal of the asset as if the amount deductible under section 38(1) of that Act in respect of the disposal were—
- (a) the total amount of unauthorised payments treated as made by the pension scheme in respect of the taxable asset up to the time of the disposal, less
  - (b) the amount found under paragraph (a) to the extent that it has already been taken into account in calculating the gains or losses accruing to the pension scheme in respect of the taxable asset by virtue of this section or section 185H.
- (7) The amount that would otherwise be the amount of the consideration for which the disposal is made (or treated as made) is to be scaled down by applying paragraphs 41 to 43 of Schedule 29A to it as if it were the total taxable amount in relation to an unauthorised payment treated as made—
- (a) by the pension scheme,
  - (b) in connection with the acquisition of the interest in the property which constitutes the taxable asset, and
  - (c) at the time of the disposal.
- (8) Subsection (6) is subject to section 42 of TCGA 1992 (part disposals); but in the application of that section in relation to the taxable asset the amount of the consideration for the disposal is to be taken to be that amount apart from subsection (7).
- (9) Where the taxable asset was not taxable property for the whole period beginning with—
- (a) the time when the pension scheme acquired the asset, or
  - (b) if later, the time when the asset first became taxable property,
- and ending with the disposal, the amount that would otherwise be the amount of any chargeable gain or allowable loss treated as accruing on a disposal of the asset is to be reduced by reference to the proportion of the period for which the asset was not taxable property.
- (10) Where—
- (a) the taxable asset is a wasting asset consisting of tangible moveable property, and
  - (b) by virtue of section 185F, a loss is treated as accruing to the pension scheme from a disposal of the asset in a tax year,
- the loss is only to be allowed as a deduction from any gains treated as accruing to the pension scheme by virtue of that section from other disposals in the year of taxable assets which are wasting assets consisting of tangible moveable property.

#### **Textual Amendments**

**F335** Words in s. 185G(3)(a) omitted (with effect in accordance with Sch. 46 para. 132 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 46 para. 120](#)

**F336** S. 185G(3)(c) omitted (21.7.2008) (with effect in accordance with Sch. 2 para. 56(3) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 2 para. 53](#)

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**Modifications etc. (not altering text)**

**C51** Ss. 185A-185I restricted by S.I. 2006/207, reg. 4B (as inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\)\(Amendment\) Regulations 2006 \(S.I. 2006/1960\)](#), reg. 9)

**185H Disposal of interest in vehicle**

- (1) This section applies for the purposes of section 185F where the pension scheme or another vehicle ceases to hold all or part of an interest in a vehicle through which the pension scheme holds the taxable interest indirectly.
- (2) The pension scheme is to be treated as disposing of the interest in the vehicle through which the pension scheme holds the taxable interest indirectly.
- (3) The amount of the gain or loss treated as accruing to the pension scheme on the disposal of the interest in the vehicle is the difference between—
  - (a) the deemed consideration received for the disposal of the interest, and
  - (b) the deemed consideration given for the interest.
- (4) The deemed consideration received for the disposal of the interest in the vehicle is the difference between—
  - (a) the market value of the taxable interest at the time of the disposal, apportioned to the pension scheme in accordance with subsection (5) immediately before that time, and
  - (b) the market value of the taxable interest at the time of the disposal, apportioned to the pension scheme in accordance with subsection (5) immediately after that time.
- (5) An amount mentioned in subsection (4) is to be apportioned to the pension scheme by applying paragraphs 41 to 43 of Schedule 29A to it as if it were the total taxable amount in relation to an unauthorised payment treated as made—
  - (a) by the pension scheme,
  - (b) in connection with the acquisition of the taxable interest, and
  - (c) at the time at which the amount is to be apportioned to the pension scheme in accordance with that subsection.
- (6) The deemed consideration given for the interest in the vehicle is—
  - (a) the total amount of unauthorised payments treated as made by the pension scheme in respect of the taxable interest up to the time of the disposal, less
  - (b) the amount found under paragraph (a) to the extent that it has already been taken into account in calculating the gains or losses accruing to the pension scheme in respect of the taxable interest by virtue of section 185G or this section.

**Modifications etc. (not altering text)**

**C51** Ss. 185A-185I restricted by S.I. 2006/207, reg. 4B (as inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\)\(Amendment\) Regulations 2006 \(S.I. 2006/1960\)](#), reg. 9)

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## **185I Credit for tax paid**

- (1) This section applies where by virtue of section 185F a pension scheme is to be treated as making a scheme chargeable payment which is to any extent attributable—
- (a) to a chargeable gain treated by virtue of section 185G as accruing to another person on a disposal of a taxable asset, or
  - (b) to a gain treated by virtue of section 185H as accruing to the pension scheme as a result of another person disposing of an interest in a vehicle through which the pension scheme holds a taxable interest indirectly.
- (2) Where—
- (a) tax is payable in respect of the disposal by the person who makes the disposal, and
  - (b) that tax has been paid,
- the amount determined under subsection (3) or (4) (as appropriate) is to be allowed as a credit against any income tax charged under section 239 in respect of the scheme chargeable payment.
- (3) In a case within paragraph (a) of subsection (1), that amount is a proportion of the amount of tax paid and payable determined by reference to the proportion of the amount of consideration for the disposal that is apportioned under section 185G(7).
- (4) In a case within paragraph (b) of subsection (1), that amount is the amount of tax paid and payable apportioned to the pension scheme by applying paragraphs 41 to 43 of Schedule 29A to it as if it were the total taxable amount in relation to an unauthorised payment treated as made—
- (a) by the pension scheme,
  - (b) in connection with an acquisition of the taxable interest by the person disposing of the interest in the vehicle, and
  - (c) at the time of the disposal.
- (5) Where—
- (a) by virtue of this section an amount is allowed as a credit against income tax charged under section 239, and
  - (b) the amount of tax payable and paid by reference to which the amount of the credit was calculated is subsequently varied,
- the amount of the credit is to be varied accordingly, and any necessary adjustments are to be made to give effect to the variation (whether by making assessments or otherwise).]

### **Modifications etc. (not altering text)**

- C51** Ss. 185A-185I restricted by S.I. 2006/207, reg. 4B (as inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\)\(Amendment\) Regulations 2006 \(S.I. 2006/1960\)](#), reg. 9)

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### *¶<sup>F337</sup>Repayments of lump sums*

#### **Textual Amendments**

**F337** S. 185J and cross-heading inserted (19.3.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 5 paras. 3, 15](#)

#### **185J Effect of repayment of certain pre-6 April 2015 lump sums**

- (1) For the purposes of this Part—
- (a) a lump sum to which this section applies is treated as never having been paid, and
  - (b) the payment by which it is repaid is treated as not being a payment.
- (2) This section applies to a lump sum if—
- (a) the sum is paid by a registered pension scheme to a member of the scheme in respect of a money purchase arrangement,
  - (b) the sum is paid to the member in connection with a pension under the scheme to which it is expected that the member will become entitled (“the expected pension”),
  - (c) the expected pension is income withdrawal, a lifetime annuity or a scheme pension,
  - (d) the sum is paid before the member becomes entitled to the expected pension,
  - (e) either—
    - (i) the sum is paid on or after 19 September 2013 but before 6 April 2015, or
    - (ii) the sum is paid before 19 September 2013, a contract for a lifetime annuity is entered into to provide the expected pension, and on or after 19 March 2014 the contract is cancelled,
  - (f) before the member becomes entitled to the expected pension, the member repays the sum to the pension scheme that paid it, and
  - (g) the repayment is made before 6 October 2015.
- (3) For the purposes of subsection (2), if the circumstances are as described in subsection (2)(e)(ii), the member is treated as not having become entitled to the expected pension as a result of the cancelled contract having been entered into.]

## CHAPTER 4

### REGISTERED PENSION SCHEMES: TAX RELIEFS AND EXEMPTIONS

#### *Scheme investments*

#### **186 Income**

- (1) No liability to income tax arises in respect of—
- (a) income derived from investments or deposits held for the purposes of a registered pension scheme, or
  - (b) underwriting commissions applied for the purposes of a registered pension scheme <sup>F338</sup> which are not relevant foreign income and which would otherwise

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be chargeable to income tax under Chapter 8 of Part 5 of ITTOIA 2005 (income not otherwise charged).]

- (2) The exemption provided by subsection (1) does not apply to income derived from investments or deposits held as a member of a property investment LLP; and for this purpose “income” includes relevant stock lending fees, in relation to any investments, to which subsection (1) would apply by virtue of section 129B of ICTA (inclusion of relevant stock lending fees in income).
- [<sup>F339</sup>(2A) The exemption provided by subsection (1) does not prevent the income from being charged to tax by virtue of section 185A.]
- (3) In this Part “investments”, in relation to a registered pension scheme, includes futures contracts and options contracts; and income derived from transactions relating to futures contracts or options contracts is to be treated as derived from the contracts.
- (4) For that purpose a contract is not prevented from being a futures contract or an options contract by the fact that a party is or may be entitled to receive or liable to make, or entitled to receive and liable to make, only a payment of a sum (as opposed to a transfer of assets) in full settlement of all obligations.

#### Textual Amendments

**F338** Words in s. 186(1)(b) substituted (6.4.2006) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), Sch. 1 para. 644, Sch. 2 para. 161 \(with Sch. 2\)](#)

**F339** S. 186(2A) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 158\(2\), Sch. 21 para. 7](#)

#### Modifications etc. (not altering text)

**C52** S. 186 applied (with modifications) (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\), regs. 1, 17](#)

#### Commencement Information

**I39** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 187 Chargeable gains

- (1) Section 271 of TCGA 1992 (exemptions) is amended as follows.
- (2) In paragraph (b) of subsection (1), for the words after “part of” substitute “ the Fund mentioned in section 613(4) of the Taxes Act (House of Commons Members' Fund); ”.
- (3) In subsection (1), omit—
- (a) paragraph (d) (retirement annuity contracts),
  - (b) paragraph (g) (exempt approved schemes),
  - (c) paragraph (h) (approved personal pension schemes), and
  - (d) paragraph (j) (authorised unit trusts which are also approved personal pension schemes or exempt approved schemes),
- and the second sentence.
- (4) After that subsection insert—

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“(1A) A gain accruing to a person on a disposal of investments held for the purposes of a registered pension scheme is not a chargeable gain.”

- (5) Omit subsection (2) (superannuation funds approved before 6th April 1980).
- (6) In subsection (10)—
- (a) for “subsections (1)(g) and (h) and (2)” substitute “ subsection (1A) ”, and
  - (b) omit the words after “options contracts”.
- (7) In subsection (12), for “Subsection (1)(b), (c), (d), (g) and (h) and subsection (2)” substitute “ Subsections (1)(b) and (c) and (1A) ”.

#### **Commencement Information**

**I40** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

### *Members' contributions*

#### **188 Relief for contributions**

- (1) An individual who is an active member of a registered pension scheme is entitled to relief under this section in respect of relievable pension contributions paid during a tax year if the individual is a relevant UK individual for that year.
- (2) In this Part “relievable pension contributions”, in relation to an individual and a pension scheme, means contributions by or on behalf of the individual under the pension scheme other than contributions to which subsection (3) [<sup>F340</sup>or (3A)] applies.
- (3) This subsection applies to—
- (a) any contributions paid after the individual has reached the age of 75,
  - <sup>F341</sup>(aa) any contributions which are life assurance premium contributions (see section 195A),]
  - (b) any contributions paid by an employer of the individual (as to which see sections 196 to 201), <sup>F342</sup>...
  - <sup>F342</sup>(c) .....
- <sup>F343</sup>(3A) This subsection applies to a contribution if the contribution results from the transfer of property or money, or the payment of a sum, towards the pension scheme pursuant to a relevant order in a case where—
- (a) section 266A (members' liability in respect of unauthorised member payments) applies, and
  - (b) relief is claimed under that section in respect of the liability mentioned in subsection (1)(a) of that section.
- (3B) In the case of a contribution which is greater than UMP (see section 266A(5)), subsection (3A) does not apply to the contribution so far as it is greater than UMP.
- (3C) In subsection (3A) “relevant order” means an order under any of the following—
- (a) section 16(1), 19(4) or 21(2)(a) of the Pensions Act 2004 (orders for money etc to be restored to pension schemes), or



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- (b) Article 12(1), 15(4) or 17(2)(a) of the Pensions (Northern Ireland) Order 2005 (corresponding provision for Northern Ireland).]
- (4) For the purposes of this Part a pension credit which increases the rights of the individual under the pension scheme is only to be treated as a contribution on behalf of the individual if it derives from a pension scheme that is not a registered pension scheme.
- (5) For the purposes of this Part—
  - (a) any other transfer of any sum held for the purposes of, or representing accrued rights under, a pension scheme so as to become held for the purposes of, or to represent rights under, another pension scheme, <sup>F344</sup>...
  - <sup>F344</sup>(b) .....  
is not to be treated as a contribution.
  - <sup>F345</sup>(6) .....
- (7) References in the Income Tax Acts to relief in respect of life assurance premiums do not include relief under this section.
- (8) The following sections make further provision about relief under this section—
  - section 189 (relevant UK individual),
  - section 190 (annual limit for relief),
  - sections 191 to 194 (methods of giving relief), and
  - section 195 (transfer of certain shares to be treated as payment of contribution).

#### Textual Amendments

- F340** Words in s. 188(2) inserted (with effect in accordance with Sch. 7 para. 16 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), **Sch. 7 para. 13(2)**
- F341** S. 188(3)(aa) inserted (19.7.2007) (with effect in accordance with Sch. 18 paras. 4-7 of the amending Act) by [Finance Act 2007 \(c. 11\)](#), **Sch. 18 para. 2**
- F342** S. 188(3)(c) and word omitted (6.4.2015) by virtue of [Finance Act 2013 \(c. 29\)](#), **s. 52(2)(11)**
- F343** S. 188(3A)-(3C) inserted (with effect in accordance with Sch. 7 para. 16 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), **Sch. 7 para. 13(3)**
- F344** S. 188(5)(b) and preceding word repealed (19.7.2007) (with effect in accordance with Sch. 19 para. 29(3) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), **Sch. 19 para. 7**, **Sch. 27 Pt. 3(1)**
- F345** S. 188(6) omitted (retrospective to 6.4.2013) by virtue of [Finance Act 2013 \(c. 29\)](#), **s. 52(3)(10)**

#### Commencement Information

- I41** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

## 189 Relevant UK individual

- (1) For the purposes of this Part an individual is a relevant UK individual for a tax year if—
  - (a) the individual has relevant UK earnings chargeable to income tax for that year,
  - (b) the individual is resident in the United Kingdom at some time during that year,
  - (c) the individual was resident in the United Kingdom both at some time during the five tax years immediately before that year and when the individual became a member of the pension scheme, or

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- (d) the individual, or the individual's spouse <sup>F346</sup>or civil partner], has for the tax year general earnings from overseas Crown employment subject to UK tax.
- (2) In this Part “relevant UK earnings” means—
- (a) employment income,
  - (b) income which is chargeable under <sup>F347</sup>Part 2 of ITTOIA 2005] and is immediately derived from the carrying on or exercise of a trade, profession or vocation (whether individually or as a partner acting personally in a partnership), <sup>F348</sup>...
  - <sup>F349</sup>(ba) income which is chargeable under Part 3 of ITTOIA 2005 and is immediately derived from the carrying on of a UK furnished holiday lettings business (whether individually or as a partner acting personally in a partnership), <sup>F350</sup>...
  - <sup>F351</sup>(bb) income which is chargeable under Part 3 of ITTOIA 2005 and is immediately derived from the carrying on of an EEA furnished holiday lettings business (whether individually or as a partner acting personally in a partnership), and]
  - <sup>F352</sup>(c) income to which subsection (2A) applies.]
- <sup>F353</sup>(2A) This subsection applies to income if—
- (a) it is patent income, and
  - (b) the individual, alone or jointly, devised the invention for which the patent in question was granted.]
- <sup>F354</sup>(2B) The income covered by subsection (2)(b) includes—
- (a) an amount treated as a profit under section 863J(2) of ITTOIA 2005, and
  - (b) income treated as received under section 863J(4) of that Act.]
- (3) For the purposes of this section and section 190 relevant UK earnings are to be treated as not being chargeable to income tax if, in accordance with arrangements having effect by <sup>F355</sup>under section 2(1) of the Taxation (International and Other Provisions) Act 2010] (double taxation agreements), they are not taxable in the United Kingdom.
- (4) “General earnings from overseas Crown employment subject to UK tax” has the meaning given by section 28 of ITEPA 2003.
- <sup>F356</sup>(5) “UK furnished holiday lettings business” means a UK property business so far as consisting of the commercial letting of furnished holiday accommodation (within the meaning of Chapter 6 of Part 3 of ITTOIA 2005).
- (6) If there is a letting of accommodation only part of which is holiday accommodation, just and reasonable apportionments are to be made for the purpose of determining what is comprised in a UK furnished holiday lettings business.
- [ EEA furnished holiday lettings business” means an overseas property business so far
- <sup>F357</sup>(6A) as consisting of the commercial letting of furnished holiday accommodation (within the meaning of Chapter 6 of Part 3 of ITTOIA 2005) in one or more EEA states.
- (6B) If there is a letting of accommodation only part of which is holiday accommodation, just and reasonable apportionments are to be made for the purpose of determining what is comprised in an EEA furnished holiday lettings business.]
- (7) “Patent income” means—
- (a) royalties or other sums paid in respect of the use of a patent charged to tax under section 579 of ITTOIA 2005,
  - (b) amounts on which tax is payable under section 587 or 593 of ITTOIA 2005, or

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- (c) amounts on which tax is payable under—
- (i) section 472(5) of the Capital Allowances Act, or
  - (ii) paragraph 100 of Schedule 3 to that Act.]

#### Textual Amendments

- F346** Words in s. 189(1)(d) inserted (with effect in accordance with reg. 1(7) of the amending S.I.) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **176**
- F347** Words in s. 189(2)(b) substituted (6.4.2006) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), [Sch. 1 para. 645\(2\)](#), [Sch. 2 para. 161](#) (with [Sch. 2](#))
- F348** Word in s. 189(2) repealed (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. 473\(2\)\(a\)](#), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))
- F349** S. 189(2)(ba) inserted (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. 473\(2\)\(b\)](#) (with [Sch. 2](#))
- F350** Word in s. 189(2)(ba) omitted (with effect in accordance with [Sch. 14 para. 4](#) of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 14 para. 1\(2\)](#)
- F351** S. 189(2)(bb) inserted (with effect in accordance with [Sch. 14 para. 4](#) of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 14 para. 1\(2\)](#)
- F352** S. 189(2)(c) 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. 473\(2\)\(c\)](#) (with [Sch. 2](#))
- F353** S. 189(2A) inserted (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. 473\(3\)](#) (with [Sch. 2](#))
- F354** S. 189(2B) inserted (with effect in accordance with [Sch. 17 para. 21](#) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 17 para. 18](#)
- F355** Words in s. 189(3) substituted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), [Sch. 8 para. 63](#) (with [Sch. 9 paras. 1-9, 22](#))
- F356** S. 189(5)-(7) inserted (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. 473\(4\)](#) (with [Sch. 2](#))
- F357** S. 189(6A)(6B) inserted (with effect in accordance with [Sch. 14 para. 4](#) of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 14 para. 1\(3\)](#)

#### Commencement Information

- I42** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

## 190 Annual limit for relief

- (1) The maximum amount of relief to which an individual is entitled under section 188 (relief for contributions) for a tax year is (subject as follows) the amount of the individual's relevant UK earnings which are chargeable to income tax for the tax year.
- (2) If the amount of the individual's relevant UK earnings which are chargeable to income tax for the tax year is less than the basic amount, the maximum amount of relief to which the individual is entitled under section 188 for the tax year is increased by the difference between—
  - (a) the amount of the individual's relevant UK earnings which are so chargeable, and
  - (b) the basic amount,(so that, if the individual has no relevant UK earnings which are so chargeable, the maximum amount of such relief is the basic amount).

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- (3) Subsection (2) is subject to section 191(7) (limit on methods of giving relief to which individual is entitled by virtue of subsection (2)).
- (4) “The basic amount” is £3,600 or such greater amount as the Treasury may by order specify.

<sup>F358</sup>(5) . . . . .

#### Textual Amendments

**F358** S. 190(5) omitted (retrospective to 6.4.2013) by virtue of [Finance Act 2013 \(c. 29\), s. 52\(4\)\(10\)](#)

#### Commencement Information

**I43** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

### 191 Methods of giving relief

- (1) Relief to which an individual is entitled under section 188 (relief for contributions) in respect of contributions is to be given as provided by this section.
- (2) Subject as follows, the relief is to be given in accordance with section 192 (relief at source).
- (3) Subject to subsection (7), relief in respect of contributions under a pension scheme made by a member of the pension scheme may (instead of being given in accordance with section 192) be given in accordance with section 193 (relief under net pay arrangements) if—
- (a) the pension scheme is an occupational pension scheme,
  - (b) the member is an employee of a sponsoring employer, and
  - (c) relief in respect of contributions made under the pension scheme by all of the other members of the pension scheme who are employees of the sponsoring employer is given in accordance with that section.
- (4) Subject to subsection (7), relief in respect of contributions under a pension scheme made by a member of the pension scheme may (instead of being given in accordance with section 192) be given in accordance with section 193 if—
- (a) the pension scheme is a public service pension scheme or marine pilots' benefits fund, and
  - (b) the member is an employee.
- (5) Subject to subsection (7), subsection (6) applies where—
- (a) contributions are made under a public service pension scheme or marine pilots' benefit fund by a member who is not an employee, or
  - (b) contributions are made otherwise than by a member of the pension scheme under a net pay pension scheme.
- (6) Relief in respect of the contributions—
- (a) may (but need not) be given in accordance with section 192, but
  - (b) where not so given, is to be given in accordance with section 194 (relief on making of claim).

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- (7) Relief to which an individual is entitled by virtue of section 190(2)—
- (a) may only be given in accordance with section 192, and
  - (b) is not required to be given in respect of contributions under a net pay pension scheme.
- (8) In this section “marine pilots' benefits fund” means—
- (a) a fund established under section 15(1)(i) of the Pilotage Act 1983 (c. 21), or
  - (b) any scheme supplementing or replacing such a fund.
- (9) In this Part “net pay pension scheme” means a pension scheme in the case of which some or all of the members of the pension scheme are entitled to be given relief in accordance with section 193 in respect of the payment of contributions by them under the pension scheme.
- (10) Schedule 36 contains (in Part 4) transitional provision about relief in respect of contributions to pre-commencement retirement annuity contracts.

#### Commencement Information

**I44** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

## 192 Relief at source

- (1) Where an individual is entitled to be given relief in accordance with this section in respect of the payment of a contribution under a pension scheme, the individual or other person by whom the contribution is paid is entitled, on making the payment, to deduct and retain out of it a sum equal to income tax on the contribution [<sup>F359</sup>at the relevant rate].
- [<sup>F360</sup>(1A) For the purposes of this section and sections 192A and 192B “the relevant rate” is—
- (a) if the Commissioners for Her Majesty’s Revenue and Customs so notify the scheme administrator, the Scottish basic rate for the tax year in which the payment is made;
  - [<sup>F361</sup>(aa) if the Commissioners for Her Majesty’s Revenue and Customs so notify the scheme administrator, the Welsh basic rate for the tax year in which the payment is made;] and
  - (b) the basic rate for that tax year in all other cases.]
- (2) If a sum is deducted from the payment of the contribution—
- (a) the scheme administrator must allow the deduction on receipt of the residue,
  - (b) the individual or other person is acquitted and discharged of so much money as is represented by the deduction as if the sum had actually been paid, and
  - (c) the sum deducted is to be treated as income tax paid by the scheme administrator.
- (3) When the payment of the contribution is received—
- (a) the scheme administrator is entitled to recover from the Board of Inland Revenue the amount which is treated as income tax paid by the scheme administrator in relation to the contribution, and

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- (b) any amount so recovered is to be treated for the purposes of the Tax Acts in the same manner as the payment of the contribution.

[<sup>F362</sup>(4) If (apart from this section) income tax at the higher rate [<sup>F363</sup>[<sup>F364</sup>or] the additional rate <sup>F365</sup>...] is chargeable in respect of any part of the individual's total income for the tax year, on the making of a claim the basic rate limit and the higher rate limit for the tax year in the individual's case are increased by the amount of the contribution.]

[<sup>F366</sup>(4A) Where—

- (a) the individual is a Scottish taxpayer for the tax year,  
(b) (apart from this section) income tax is chargeable in respect of any part of that individual's total income for the tax year at a Scottish rate, and  
(c) that rate is higher than the Scottish basic rate for that year,

on the making of a claim, the Scottish basic rate limit, and any other Scottish rate limit for the tax year in the individual's case [<sup>F367</sup>that is above the Scottish basic rate limit], are increased by the amount of the contribution.]

[<sup>F368</sup>(4B) Where—

- (a) the individual is a Welsh taxpayer for the tax year, and  
(b) (apart from this section) income tax is chargeable in respect of any part of that individual's total income for the tax year at the Welsh higher rate or Welsh additional rate,

on the making of a claim, the basic rate limit and the higher rate limit for the tax year in the individual's case, are increased by the amount of the contribution.]

[<sup>F369</sup>(5) .....

- (6) Subsections (1) and (2) have effect subject to such conditions as the Board of Inland Revenue may prescribe by regulations.
- (7) The Board of Inland Revenue may by regulations make provision for carrying subsections (1) to (3) into effect, in particular by making provision—
- (a) about how a sum is to be recovered under subsection (3)(a) (including the manner in which a claim for the recovery of a sum is to be made),  
(b) for the giving of such information, in such form, as may be prescribed by or under the regulations,  
(c) for the inspection of documents by persons authorised by the Board of Inland Revenue, and  
(d) specifying the consequences of failure to comply with conditions prescribed by virtue of subsection (6).
- (8) Regulations under this section may, in particular—
- (a) modify the operation of any provision of the Tax Acts, or  
(b) provide for the application of any provision of the Tax Acts (with or without modification).
- (9) Where, after relief is given to an individual in accordance with this section for a tax year, an assessment, alteration of an assessment or other adjustment of the individual's liability to tax is made, any appropriate consequential adjustments are to be made in relief given to the individual in accordance with this section.
- (10) Where relief is given to an individual in accordance with this section for a tax year in respect of a contribution, relief is not to be given—

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- (a) in respect of the contribution under any other provision of the Income Tax Acts, or
- (b) (in the case of a contribution under an annuity contract) in respect of any other premium or consideration for an annuity under the same contract.

[<sup>F370</sup>(11) Subsection (10) does not apply to prevent the giving of relief in respect of the contribution in accordance with subsection 192A.]

#### Textual Amendments

- F359** Words in s. 192(1) substituted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Scottish Rate of Income Tax \(Consequential Amendments\) Order 2015 \(S.I. 2015/1810\)](#), arts. 1(1), **3(2)**
- F360** S. 192(1A) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Scottish Rate of Income Tax \(Consequential Amendments\) Order 2015 \(S.I. 2015/1810\)](#), arts. 1(1), **3(3)**
- F361** S. 192(1A)(aa) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Devolved Income Tax Rates \(Consequential Amendments\) Order 2019 \(S.I. 2019/201\)](#), arts. 1(1), **4(2)**
- F362** S. 192(4) substituted (with effect in accordance with Sch. 2 para. 25 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), **Sch. 2 para. 11**
- F363** Words in s. 192(4) substituted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Scottish Rate of Income Tax \(Consequential Amendments\) Order 2015 \(S.I. 2015/1810\)](#), arts. 1(1), **3(4)**
- F364** Word in s. 192(4) substituted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), regs. 1(1), **3(2)(a)**
- F365** Words in s. 192(4) omitted (with effect in accordance with reg. 1(2) of the amending S.I.) by virtue of [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), regs. 1(1), **3(2)(b)**
- F366** S. 192(4A) inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), regs. 1(1), **3(3)**
- F367** Words in s. 192(4A) inserted (6.4.2018) by [The Scottish Rates of Income Tax \(Consequential Amendments\) Order 2018 \(S.I. 2018/459\)](#), arts. 1(2), **3(2)**
- F368** S. 192(4B) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Devolved Income Tax Rates \(Consequential Amendments\) Order 2019 \(S.I. 2019/201\)](#), arts. 1(1), **4(3)**
- F369** S. 192(5) repealed (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. 474, Sch. 3 Pt. 1** (with Sch. 2)
- F370** S. 192(11) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Scottish Rate of Income Tax \(Consequential Amendments\) Order 2015 \(S.I. 2015/1810\)](#), arts. 1(1), **3(5)**

#### Commencement Information

- I45** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

#### [<sup>F371</sup>192A] **Relief at source: additional relief**

- (1) An individual to whom relief is given in accordance with section 192 in respect of a contribution is entitled to a tax reduction for the tax year in which the payment of the contribution is made if the conditions in subsection (2) [<sup>F372</sup>, (3A)] or (4) are met.
- (2) The conditions are that—
  - (a) the relevant rate [<sup>F373</sup> is not the Scottish basic rate] for the tax year in which the payment of the contribution is made,

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- (b) the individual is a Scottish taxpayer for that tax year, and
- (c) the Scottish basic rate for that tax year is higher than [<sup>F374</sup>the relevant rate].
- (3) If the conditions in subsection (2) are met, the amount of the tax reduction is an amount equal to the difference between the amount of relief which would have been given if the relevant rate were the Scottish basic rate for the tax year in which the payment is made and the amount of relief given under section 192.
- [ The conditions are that—
- <sup>F375</sup>(3A) (a) the relevant rate is not the Welsh basic rate for the tax year in which the payment of the contribution is made,
- (b) the individual is a Welsh taxpayer for that tax year, and
- (c) the Welsh basic rate for that tax year is higher than the relevant rate.
- (3B) If the conditions in subsection (3A) are met, the amount of the tax reduction is an amount equal to the difference between the amount of relief which would have been given if the relevant rate were the Welsh basic rate for the tax year in which the payment is made and the amount of relief given under section 192.]
- [<sup>F376</sup>(4) The conditions are that—
- (a) the relevant rate is not the basic rate for the tax year in which the payment of the contribution is made,
- (b) the individual is neither a Scottish taxpayer nor a Welsh taxpayer for that tax year, and
- (c) the basic rate for that tax year is higher than the relevant rate.]
- (5) If the conditions in subsection (4) are met, the amount of the tax reduction is an amount equal to the difference between the amount of relief which would have been given if the relevant rate were the basic rate for the tax year in which the payment is made and the amount of relief given under section 192.
- (6) A tax reduction under this section is given effect at Step 6 of the calculation in section 23 of ITA 2007.

#### Textual Amendments

- F371** Ss. 192A, 192B inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Scottish Rate of Income Tax \(Consequential Amendments\) Order 2015 \(S.I. 2015/1810\)](#), arts. 1(1), **4**
- F372** Word in s. 192A(1) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Devolved Income Tax Rates \(Consequential Amendments\) Order 2019 \(S.I. 2019/201\)](#), arts. 1(1), **5(2)**
- F373** Words in s. 192A(2)(a) substituted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Devolved Income Tax Rates \(Consequential Amendments\) Order 2019 \(S.I. 2019/201\)](#), arts. 1(1), **5(3)(a)**
- F374** Words in s. 192A(2)(c) substituted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Devolved Income Tax Rates \(Consequential Amendments\) Order 2019 \(S.I. 2019/201\)](#), arts. 1(1), **5(3)(b)**
- F375** S. 192A(3A)(3B) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Devolved Income Tax Rates \(Consequential Amendments\) Order 2019 \(S.I. 2019/201\)](#), arts. 1(1), **5(4)**
- F376** S. 192A(4) substituted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Devolved Income Tax Rates \(Consequential Amendments\) Order 2019 \(S.I. 2019/201\)](#), arts. 1(1), **5(5)**



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## 192B. Relief at source: excessive relief given

- (1) If relief is given to an individual in accordance with section 192 in respect of a contribution and the conditions in subsection (2) [<sup>F377</sup>, (3A)] or (4) [<sup>F378</sup> are met], an amount of excessive relief given is treated as an amount of tax for which the individual is liable for the tax year in which the payment of the contribution is made.
- (2) The conditions are that—
  - (a) the relevant rate [<sup>F379</sup> is not the Scottish basic rate] for the tax year in which the payment of the contribution is made,
  - (b) the individual is a Scottish taxpayer for that tax year, and
  - (c) the Scottish basic rate for that tax year is lower than [<sup>F380</sup> the relevant rate].
- (3) If the conditions in subsection (2) [<sup>F381</sup> are met], the amount of excessive relief given is an amount equal to the difference between the amount of relief given and the amount of relief which would have been given if the relevant rate were the Scottish basic rate for the tax year in which the payment is made.

[ The conditions are that—

- <sup>F382</sup>(3A)
  - (a) the relevant rate is not the Welsh basic rate for the tax year in which the payment of the contribution is made,
  - (b) the individual is a Welsh taxpayer for that tax year, and
  - (c) the Welsh basic rate for that tax year is lower than the relevant rate.

- (3B) If the conditions in subsection (3A) are met, the amount of excessive relief given is an amount equal to the difference between the amount of relief given and the amount of relief which would have been given if the relevant rate were the Welsh basic rate for the tax year in which the payment is made.]

[<sup>F383</sup>(4) The conditions are that—

- (a) the relevant rate is not the basic rate for the tax year in which the payment of the contribution is made, and
  - (b) the individual is neither a Scottish taxpayer nor a Welsh taxpayer for that tax year, and
  - (c) the basic rate for that tax year is lower than the relevant rate.]
- (5) If the conditions in subsection (4) [<sup>F384</sup> are met], the amount of excessive relief given is an amount equal to the difference between the amount of relief given and the amount of relief which would have been given if the relevant rate were the basic rate for the tax year in which the payment is made.
- (6) An amount of excessive relief treated as an amount of tax under this section is added at Step 7 of the calculation in section 23 of ITA 2007.]

### Textual Amendments

**F371** Ss. 192A, 192B inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Scottish Rate of Income Tax \(Consequential Amendments\) Order 2015 \(S.I. 2015/1810\)](#), arts. 1(1), 4

**F377** Word in s. 192B(1) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Devolved Income Tax Rates \(Consequential Amendments\) Order 2019 \(S.I. 2019/201\)](#), arts. 1(1), 6(2)

**F378** Words in s. 192B(1) substituted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Devolved Income Tax Rates \(Consequential Amendments\) Order 2019 \(S.I. 2019/201\)](#), arts. 1(1), 6(3)

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- F379** Words in s. 192B(2)(a) substituted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Devolved Income Tax Rates \(Consequential Amendments\) Order 2019 \(S.I. 2019/201\)](#), arts. 1(1), [6\(4\)\(a\)](#)
- F380** Words in s. 192B(2)(c) substituted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Devolved Income Tax Rates \(Consequential Amendments\) Order 2019 \(S.I. 2019/201\)](#), arts. 1(1), [6\(4\)\(b\)](#)
- F381** Words in s. 192B(3) substituted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Devolved Income Tax Rates \(Consequential Amendments\) Order 2019 \(S.I. 2019/201\)](#), arts. 1(1), [6\(3\)](#)
- F382** S. 192B(3A)(3B) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Devolved Income Tax Rates \(Consequential Amendments\) Order 2019 \(S.I. 2019/201\)](#), arts. 1(1), [6\(5\)](#)
- F383** S. 192B(4) substituted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Devolved Income Tax Rates \(Consequential Amendments\) Order 2019 \(S.I. 2019/201\)](#), arts. 1(1), [6\(6\)](#)
- F384** Words in s. 192B(5) substituted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Devolved Income Tax Rates \(Consequential Amendments\) Order 2019 \(S.I. 2019/201\)](#), arts. 1(1), [6\(3\)](#)

### 193 Relief under net pay arrangements

- (1) This section applies where an individual is entitled to be given relief in accordance with this section in respect of the payment of a contribution under a pension scheme.
- (2) The amount of the contribution is to be allowed to be deducted by the sponsoring employer from the employment income from the individual's employment with the employer for the tax year in which the payment is made.
- (3) A deduction may be made only once in respect of the same contribution.
- (4) A claim for excess relief may be made if—
  - (a) the amount of the contributions paid by an individual under one or more relevant net pay pension schemes in a tax year exceeds the employment income from the individual's employment or employments with the sponsoring employer or employers for the tax year, or
  - (b) it is not possible for the sponsoring employer or employers for any other reason to deduct the whole amount of the contribution from the individual's employment income.
- (5) A net pay pension scheme is a relevant net pay pension scheme if the members of the pension scheme entitled to be given relief in accordance with this section in respect of the payment of contributions by them under the pension scheme include the individual.
- (6) On the making of the claim for excess relief the amount of the excess may be deducted [<sup>F385</sup>in calculating the net income] of the individual for the tax year [<sup>F386</sup>(see Step 2 of the calculation in section 23 of ITA 2007)].
- (7) Where, after relief is given to an individual in accordance with this section for a tax year, an assessment, alteration of an assessment or other adjustment of the individual's liability to tax is made, any appropriate consequential adjustments are to be made in relief given to the individual in accordance with this section.
- (8) Where relief is given to an individual in accordance with this section for a tax year in respect of a contribution, relief is not to be given in respect of it under any other provision of the Income Tax Acts.

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#### Textual Amendments

**F385** Words in s. 193(6) 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. 475(a)** (with [Sch. 2](#))

**F386** Words in s. 193(6) inserted (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. 475(b)** (with [Sch. 2](#))

#### Modifications etc. (not altering text)

**C53** S. 193 applied (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, **19**

#### Commencement Information

**I46** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

### 194 Relief on making of claim

- (1) Where an individual is entitled to be given relief in accordance with this section in respect of the payment of a contribution, on the making of a claim the amount of the contribution may be deducted [<sup>F387</sup>in calculating the net income] of the individual for the tax year in which the payment is made [<sup>F388</sup>(see Step 2 of the calculation in section 23 of ITA 2007)].
- (2) Where, after relief is given to an individual in accordance with this section for a tax year, an assessment, alteration of an assessment or other adjustment of the individual's liability to tax is made, any appropriate consequential adjustments are to be made in relief given to the individual in accordance with this section.
- (3) Where relief is given to an individual in accordance with this section for a tax year in respect of a contribution, relief is not to be given—
  - (a) in respect of the contribution under any other provision of the Income Tax Acts, or
  - (b) (in the case of a contribution under an annuity contract) in respect of any other premium or consideration for an annuity under the same contract.

#### Textual Amendments

**F387** Words in s. 194(1) 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. 476(a)** (with [Sch. 2](#))

**F388** Words in s. 194(1) inserted (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. 476(b)** (with [Sch. 2](#))

#### Commencement Information

**I47** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

### 195 Transfer of certain shares to be treated as payment of contribution

- (1) For the purposes of sections 188 to 194 (relief for contributions) references to contributions paid by an individual include contributions made in the form of the transfer by the individual of eligible shares in a company within the permitted period.

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- (2) For the purposes of those sections the amount of a contribution made by way of a transfer of shares is the market value of the shares at the date of the transfer.
- (3) “Eligible shares”, in relation to a contribution made by an individual, means shares—
- (a) which the individual has exercised a right to acquire in accordance with the provisions of an SAYE option scheme, or
  - (b) which have been appropriated to the individual in accordance with the provisions of a share incentive plan.
- (4) “The permitted period”—
- (a) in relation to shares which the individual has exercised a right to acquire in accordance with the provisions of an SAYE option scheme, is the period of 90 days following the exercise of that right, and
  - (b) in relation to shares which have been appropriated to the individual in accordance with the provisions of a share incentive plan, is the period of 90 days following the date when the individual directed the trustees of the share incentive plan to transfer the ownership of the shares to the individual.
- (5) In this section—
- “SAYE option scheme” has the same meaning as in the SAYE code (see section 516 of ITEPA 2003 (<sup>F389</sup>... SAYE option schemes)), and
- “share incentive plan” has the same meaning as in the SIP code (see section 488 of ITEPA 2003 (<sup>F390</sup>... share incentive plans)).

#### Textual Amendments

**F389** Word in s. 195(5) omitted (6.4.2014) by virtue of [Finance Act 2014 \(c. 26\)](#), [Sch. 8 paras. 139, 146](#) (with [Sch. 8 paras. 147-157](#))

**F390** Word in s. 195(5) omitted (6.4.2014) by virtue of [Finance Act 2014 \(c. 26\)](#), [Sch. 8 paras. 52, 89](#) (with [Sch. 8 paras. 90-96](#))

#### Commencement Information

**I48** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

### <sup>F391</sup>195A Life assurance premium contributions

- (1) Contributions paid by or on behalf of an individual under a registered pension scheme are life assurance premium contributions for the purposes of section 188(3)(aa) if—
- (a) rights under a non-group life policy (see subsection (2)) are (or later become) held for the purposes of the pension scheme, and
  - (b) the contributions are treated by this section as paid in respect of premiums under the non-group life policy (see subsections (3) to (5)).
- (2) For the purposes of this section a “non-group life policy” is a policy of insurance under which the only benefits which may become payable are benefits payable in consequence, or in anticipation, of—
- (a) the death of the individual or one of a group of individuals which includes the individual, or
  - (b) the deaths of more than one of a group of individuals—
    - (i) which includes the individual, and

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- (ii) the other members of which are connected with the individual.
- (3) Contributions paid by or on behalf of the individual under the pension scheme are treated as paid in respect of premiums under the non-group life policy if—
- (a) the payment of the contributions constitutes the payment of premiums under the policy, or
  - (b) the person by whom the contributions are paid intends the contributions (or an amount equivalent to them) to be applied towards paying premiums under the policy.
- (4) Where the amount of the premiums under the policy in a tax year exceeds the amount of any contributions treated as paid in respect of the premiums by subsection (3), other contributions paid by or on behalf of the individual under the pension scheme in the tax year are treated as paid in respect of premiums under the policy to the extent that their amount does not exceed the difference between the amount of the premiums and the amount of any contributions treated as paid in respect of the premiums by subsection (3).
- (5) But where—
- (a) the benefits under the policy relate to the death of one or more of a group of individuals, and
  - (b) contributions are also paid under the pension scheme in the tax year by or on behalf of another member or other members of the group,
- the amount of the contributions paid by or on behalf of the individual which are treated as paid in respect of premiums under the policy by subsection (4) does not exceed what is just and reasonable having regard to the operation of section 188(3)(aa) in relation to the contributions paid by or on behalf of another member or other members of the group.
- (6) The Commissioners for Her Majesty's Revenue and Customs may by regulations amend subsections (2) to (5).
- (7) Regulations under subsection (6) which limit—
- (a) the policies of insurance which are non-group life assurance policies for the purposes of this section, or
  - (b) the contributions which are treated by this section as paid in respect of premiums under such policies,
- may be made so as to have effect in relation to times before they are made.
- (8) For the purposes of this section an individual (“A”) is connected with another individual (“B”) if—
- (a) A is B's spouse or civil partner,
  - (b) A is a relative of B,
  - (c) A is the spouse or civil partner of a relative of B,
  - (d) A is a relative of B's spouse or civil partner, or
  - (e) A is the spouse or civil partner of a relative of B's spouse or civil partner;
- and for the purposes of this subsection “relative” means brother, sister, ancestor or lineal descendant.]

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### Textual Amendments

**F391** S. 195A inserted (19.7.2007) (with effect in accordance with Sch. 18 paras. 4-7 of the amending Act) by [Finance Act 2007 \(c. 11\)](#), **Sch. 18 para. 3**

## *Employers' contributions*

### 196 Relief for employers in respect of contributions paid

- (1) This section makes provision about an employer's entitlement to relief in respect of contributions paid by the employer under a registered pension scheme in respect of any individual.
- (2) For the purposes of [<sup>F392</sup>Part 2 of ITTOIA 2005][<sup>F393</sup>or Part 3 of CTA 2009 (trading income)] —
  - (a) the contributions are to be treated as not being payments of a capital nature to the extent that they otherwise would be, and
  - (b) if they are allowed to be deducted in computing the amount of the profits of the employer, they are deductible in computing the amount of the profits for the period of account in which they are paid.
- (3) For the purposes of [<sup>F394</sup>Chapter 2 of Part 16 of CTA 2009] (expenses of management: companies with investment business), the contributions—
  - (a) are to be treated as being expenses of management to the extent that they otherwise would not be, and
  - (b) are referable to the accounting period in which they are paid.
- (4) For the purposes of [<sup>F395</sup>section 76 of FA 2012] (expenses of insurance companies), the contributions—
  - (a) are to be [<sup>F396</sup>treated as meeting the conditions in section 77(2)(a) and (c) of that Act to the extent that they would otherwise not meet them], and
  - (b) are referable to the accounting period in which they are paid.
- <sup>F397</sup>(5) .....
- (6) This section is subject to sections 197 and 198 (spreading of relief) (and to transitional provision contained in Part 4 of Schedule 36).

### Textual Amendments

- F392** Words in s. 196(2) inserted (6.4.2006) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), **Sch. 1 para. 646**, [Sch. 2 para. 161](#) (with [Sch. 2](#))
- F393** Words in s. 196(2) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), **Sch. 1 para. 573(2)** (with [Sch. 2 Pts. 1, 2](#))
- F394** Words in s. 196(3) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), **Sch. 1 para. 573(3)** (with [Sch. 2 Pts. 1, 2](#))
- F395** Words in s. 196(4) substituted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), **Sch. 16 para. 113(a)**
- F396** Words in s. 196(4)(a) substituted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), **Sch. 16 para. 113(b)**
- F397** S. 196(5) omitted (retrospective to 6.4.2013) by virtue of [Finance Act 2013 \(c. 29\)](#), **s. 52(5)(10)**

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### Commencement Information

**I49** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

### [<sup>F398</sup>196A] Power to restrict relief

- (1) The Board of Inland Revenue may make regulations for restricting the extent to which contributions paid by an employer under a registered pension scheme in respect of an individual are subject to relief in circumstances in which subsection (2) or (3) applies (or both do).
- (2) This subsection applies where any of the benefits which will or may be payable to or in respect of the individual under the registered pension scheme will be payable only if relevant benefits expected to be so paid under an employer-financed retirement benefits scheme are not so paid.
- (3) This subsection applies where, because relevant benefits are or may be payable to or in respect of the individual under an employer-financed retirement benefits scheme, the aggregate of the amount of any sums and the market value of any assets—
  - (a) held for the purposes of, or
  - (b) representing accrued rights under,the registered pension scheme which may be transferred by way of a recognised transfer in respect of the individual will or may be less than it otherwise would be.
- (4) The reference in subsection (1) to contributions paid by an employer being subject to relief is to—
  - (a) their being deductible in computing the amount of the profits of the employer for the purposes of Part 2 of ITTOIA 2005 [<sup>F399</sup>or Part 3 of CTA 2009 (trading income)],
  - (b) their being expenses of management of the employer for the purposes of [<sup>F400</sup>section 1219 of CTA 2009] (expenses of management: companies with investment business), or
  - (c) their being [<sup>F401</sup>ordinary BLAGAB management expenses of the employer for an accounting period for the purposes of section 76 of FA 2012],(depending on which is appropriate in relation to the employer).
- (5) In this section—

“employer-financed retirement benefits scheme”, and  
“relevant benefits”,

have the same meaning as in Chapter 2 of Part 6 of ITEPA 2003 (see sections 393A and 393B of that Act).]

### Textual Amendments

**F398** S. 196A inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 39, 64\(1\)](#)

**F399** Words in s. 196A(4)(a) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 1 para. 574\(a\)](#) (with [Sch. 2 Pts. 1, 2](#))

**F400** Words in s. 196A(4)(b) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 1 para. 574\(b\)](#) (with [Sch. 2 Pts. 1, 2](#))

**F401** Words in s. 196A(4)(c) substituted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 114](#)

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## **[<sup>F402</sup>196E] Employer asset-backed contributions: denial of relief (1)**

- (1) An employer (“E”) is not to be given relief in respect of a contribution (“E’s contribution”) paid by E under a registered pension scheme if conditions A, B and C are met.
- (2) Condition A is that—
  - (a) under an arrangement (“the asset-backed arrangement”)—
    - (i) a person (“the borrower”) receives money or another asset (“the advance”) from another person (“the lender”),
    - (ii) the borrower, or a person connected with the borrower, makes a disposal of an asset (“the security”) to or for the benefit of the lender or a person connected with the lender, and
    - (iii) the lender, or a person connected with the lender, is entitled to payments in respect of the security,
  - (b) the borrower is E or a person connected with E, and
  - (c) the advance is (wholly or partly) paid or provided by the lender out of E’s contribution (directly or indirectly),
 and the case is not one in relation to which either condition A in section 196D or condition A in section 196F is met.
- (3) For the purposes of subsection (2)(a)(iii) it does not matter if an entitlement of the lender, or a person connected with the lender, is subject to any condition.
- (4) Condition B is that the asset-backed arrangement is not an acceptable structured finance arrangement (see section 196C).
- (5) Condition C is that it is reasonable to suppose that the amount of one or more of the payments mentioned in subsection (2)(a)(iii) has been, or is to be, determined (wholly or partly) on the basis that, in essence, the whole or a part of the advance represents a loan which is (wholly or partly) to be repaid by way of one or more of those payments.
- (6) For the purposes of subsection (5) it does not matter—
  - (a) that the repayment of the loan might be subject to any condition, or
  - (b) that the accounts of any person do not record a financial liability in respect of the whole or a part of the advance or that the whole or a part of the advance is not otherwise treated as representing a loan for the purposes of the accounts of any person,
 but, subject to that, all relevant circumstances are to be taken into account in order to get to the essence of the matter.
- (7) For the purposes of this section—
  - (a) the borrower and the lender are not connected with one another if that would otherwise be the case,
  - (b) if the borrower is not E, references to a person connected with the borrower include a person connected with E who would not otherwise be connected with the borrower, and
  - (c) “loan” includes any advance of money.

### **Textual Amendments**

**F402** Ss. 196B-196L inserted (with effect in accordance with Sch. 13 para. 17 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 13 para. 15](#) (with [Sch. 13 Pt. 4](#)) (and see also, as to denial of relief for



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contributions paid during the period 29.11.2011 to 21.2.2012, the ss. 196B-196J inserted by [Finance Act 2012 \(c. 14\)](#), [Sch. 13 paras. 1, 3](#) (with [Sch. 13 Pt. 2](#)))

## **196C Employer asset-backed contributions: “acceptable structured finance arrangement” (1)**

- (1) For the purposes of section 196B the asset-backed arrangement is an “acceptable structured finance arrangement” if conditions M to Q are met.
- (2) Condition M is that—
  - (a) in accordance with generally accepted accounting practice, the borrower's accounts for the period in which the advance is received record a financial liability (“the recorded financial liability”) in respect of the advance, and
  - (b) the asset-backed arrangement is a type 1 finance arrangement for the purposes of Chapter 5B of Part 13 of ITA 2007 or Chapter 2 of Part 16 of CTA 2010 (finance arrangements).
- (3) Condition N is that—
  - (a) the lender is a responsible authority,
  - (b) the advance is money which is paid by the lender directly to the borrower wholly and directly out of E's contribution, and
  - (c) the advance and the recorded financial liability (as originally recorded) are both of an amount equal to the amount of E's contribution.
- (4) Condition O is that, as at the time the advance is paid, the position of the lender is as follows—
  - (a) it is the lender (and not any person connected with the lender) who is entitled to the payments mentioned in section 196B(2)(a)(iii),
  - (b) those payments are to arise at times which have been fixed and fall at intervals of no more than one year (but allowing for payments otherwise due to arise on a non-working day to arise on the next working day),
  - (c) the lender is to receive each payment no later than 3 months after the day on which the payment arises (but allowing for payments otherwise due to be received on a non-working day to be received on the next working day),
  - (d) on receipt by the lender, each payment is directly to become part of the sums held for the purposes of the registered pension scheme,
  - (e) the payments are all to be of the same amount,
  - (f) the total amount of the payments is not to be less than the amount of E's contribution, and
  - (g) all the payments are to be received by the lender within a period (“the payment period”) ending no later than the end of the period of 25 years beginning with the day on which E's contribution is paid.
- (5) For the purposes of subsection (4)(b) the first payment is to arise no later than one year after the day on which the advance is paid.
- (6) For the purposes of subsection (4)(e) the following are to be ignored—
  - (a) negligible differences in the amounts of payments;
  - (b) differences in the amounts of payments which would be caused by a term of the asset-backed arrangement that requires the amounts of all outstanding

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payments to be increased periodically by a percentage which cannot be higher than the highest of the following—

- (i) the percentage increase in the consumer prices index for the reference period, being a period determined, in relation to each periodic increase, under the term of the asset-backed arrangement in question;
  - (ii) the percentage increase in the retail prices index for the reference period;
  - (iii) the percentage for the reference period which corresponds to 5% per annum.
- (7) For the purposes of subsection (4), in determining the lender's position, regard must be had (in particular) to any arrangements connected (directly or indirectly) to the asset-backed arrangement.
- (8) Condition P is that, as at the time the advance is paid, in accordance with generally accepted accounting practice the recorded financial liability is to be reduced to nil by the end of the payment period by (and only by) the payments mentioned in section 196B(2)(a)(iii).
- (9) Condition Q is that, as at the time the advance is paid, no commitment to which subsection (10) applies has been given.
- (10) This subsection applies to a commitment (whether or not legally enforceable and whether or not subject to any conditions) if—
- (a) it is given (directly or indirectly) to a relevant person,
  - (b) it is a commitment to secure that a person receives money or another asset, and
  - (c) it is linked (directly or indirectly) to the receipt by the lender of a payment mentioned in section 196B(2)(a)(iii).
- (11) In subsection (10)(a) “relevant person” means—
- (a) E;
  - (b) a person connected with E;
  - (c) a person acting (directly or indirectly) at the direction or request, or with the agreement, of E or a person connected with E;
  - (d) a person chosen (directly or indirectly) by E or a person connected with E;
  - (e) a person within a class of person chosen (directly or indirectly) by E or a person connected with E;
  - (f) a partnership;
- but does not include a responsible authority.
- (12) In this section “responsible authority” means—
- (a) the persons who from time to time are the trustees of the registered pension scheme, or
  - (b) the persons who from time to time are the persons controlling the management of the registered pension scheme,
- in their capacity as such.

#### **Textual Amendments**

**F402** Ss. 196B-196L inserted (with effect in accordance with Sch. 13 para. 17 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 13 para. 15](#) (with [Sch. 13 Pt. 4](#)) (and see also, as to denial of relief for

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contributions paid during the period 29.11.2011 to 21.2.2012, the ss. 196B-196J inserted by [Finance Act 2012 \(c. 14\)](#), [Sch. 13 paras. 1, 3](#) (with [Sch. 13 Pt. 2](#)))

## 196D Employer asset-backed contributions: denial of relief (2)

- (1) An employer (“E”) is not to be given relief in respect of a contribution (“E’s contribution”) paid by E under a registered pension scheme if conditions A and B are met.
- (2) Condition A is that—
  - (a) under an arrangement (“the asset-backed arrangement”) a person (“the transferor”) makes a disposal of an asset (“the security”) to a partnership,
  - (b) the transferor is E or a person connected with E,
  - (c) the transferor, or a person connected with the transferor, is a member of the partnership immediately after the disposal (whether or not a member immediately before it),
  - (d) under the asset-backed arrangement the partnership receives money or another asset (“the advance”) from a person (“the lender”) other than the transferor,
  - (e) the advance is (wholly or partly) paid or provided by the lender out of E’s contribution (directly or indirectly),
  - (f) there is a relevant change in relation to the partnership (see section 196H), and
  - (g) under the asset-backed arrangement the share in the partnership’s profits of the person involved in the relevant change (see section 196H) is determined by reference (wholly or partly) to payments in respect of the security.
- (3) If the transferor is not E, for the purposes of this section references to a person connected with the transferor include a person connected with E who would not otherwise be connected with the transferor.
- (4) For the purposes of subsection (2)(g) it does not matter if any determination of the share in the partnership’s profits of the person involved in the relevant change as mentioned is subject to any condition.
- (5) Condition B is that the asset-backed arrangement is not an acceptable structured finance arrangement (see section 196E).

### Textual Amendments

**F402** Ss. 196B-196L inserted (with effect in accordance with Sch. 13 para. 17 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 13 para. 15](#) (with [Sch. 13 Pt. 4](#)) (and see also, as to denial of relief for contributions paid during the period 29.11.2011 to 21.2.2012, the ss. 196B-196J inserted by [Finance Act 2012 \(c. 14\)](#), [Sch. 13 paras. 1, 3](#) (with [Sch. 13 Pt. 2](#)))

## 196E Employer asset-backed contributions: “acceptable structured finance arrangement” (2)

- (1) For the purposes of section 196D the asset-backed arrangement is an “acceptable structured finance arrangement” if conditions M to Q are met.
- (2) Condition M is that—

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- (a) in accordance with generally accepted accounting practice, the partnership's accounts for the period in which the advance is received record a financial liability (“the recorded financial liability”) in respect of the advance, and
  - (b) the asset-backed arrangement is a type 2 finance arrangement for the purposes of Chapter 5B of Part 13 of ITA 2007 or Chapter 2 of Part 16 of CTA 2010 (finance arrangements).
- (3) Condition N is that—
- (a) the lender is a responsible authority,
  - (b) the advance is money which is paid by the lender directly to the partnership wholly and directly out of E's contribution, and
  - (c) the advance and the recorded financial liability (as originally recorded) are both of an amount equal to the amount of E's contribution.
- (4) Condition O is that, as at the time the advance is paid, the position of the lender is as follows—
- (a) it is the lender (and not any person connected with the lender) who is or is to be the person involved in the relevant change in relation to the partnership,
  - (b) the lender's share in the partnership's profits is to be determined wholly by reference to the payments mentioned in section 196D(2)(g),
  - (c) determinations of the lender's share in the partnership's profits are to be made at times which have been fixed and fall at intervals of no more than one year (but allowing for determinations otherwise due to be made on a non-working day to be made on the next working day),
  - (d) no later than 3 months after the day on which a determination of the lender's share in the partnership's profits is made, the lender is to make a drawing from the partnership on account of its determined share (but allowing for drawings otherwise due to be made on a non-working day to be made on the next working day),
  - (e) on its making, each drawing is directly to become part of the sums held for the purposes of the registered pension scheme,
  - (f) the drawings are all to be of the same amount,
  - (g) the total amount of the drawings is not to be less than the amount of E's contribution, and
  - (h) all of the lender's share in the partnership's profits is to be drawn by the lender from the partnership within a period (“the drawing period”) ending no later than the end of the period of 25 years beginning with the day on which E's contribution is paid.
- (5) For the purposes of subsection (4)(c) the first determination is to be made no later than one year after the day on which the advance is paid.
- (6) For the purposes of subsection (4)(f) the following are to be ignored—
- (a) negligible differences in the amounts of drawings;
  - (b) differences in the amounts of drawings which would be caused by a term of the asset-backed arrangement that requires the amounts of all outstanding drawings to be increased periodically by a percentage which cannot be higher than the highest of the following—
    - (i) the percentage increase in the consumer prices index for the reference period, being a period determined, in relation to each periodic increase, under the term of the asset-backed arrangement in question;

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- (ii) the percentage increase in the retail prices index for the reference period;
  - (iii) the percentage for the reference period which corresponds to 5% per annum.
- (7) In determining the lender's position for the purposes of subsection (4), regard must be had (in particular) to any arrangements connected (directly or indirectly) to the asset-backed arrangement.
- (8) Condition P is that, as at the time the advance is paid, in accordance with generally accepted accounting practice the recorded financial liability is to be reduced to nil by the end of the drawing period by (and only by) the payments mentioned in section 196D(2)(g).
- (9) Condition Q is that, as at the time the advance is paid, no commitment to which subsection (10) applies has been given.
- (10) This subsection applies to a commitment (whether or not legally enforceable and whether or not subject to any conditions) if—
  - (a) it is given (directly or indirectly) to a relevant person,
  - (b) it is a commitment to secure that a person receives money or another asset, and
  - (c) it is linked (directly or indirectly) to any determination of the lender's share in the partnership's profits or any drawing from the partnership on account of that share.
- (11) In subsection (10)(a) “relevant person” means—
  - (a) E;
  - (b) a person connected with E;
  - (c) a person acting (directly or indirectly) at the direction or request, or with the agreement, of E or a person connected with E;
  - (d) a person chosen (directly or indirectly) by E or a person connected with E;
  - (e) a person within a class of person chosen (directly or indirectly) by E or a person connected with E;
  - (f) a partnership;but does not include a responsible authority.
- (12) In this section—
  - (a) “responsible authority” means—
    - (i) the persons who from time to time are the trustees of the registered pension scheme, or
    - (ii) the persons who from time to time are the persons controlling the management of the registered pension scheme,in their capacity as such, and
  - (b) references to the making of drawings from the partnership include references to the receiving of distributions from the partnership.

#### **Textual Amendments**

**F402** Ss. 196B-196L inserted (with effect in accordance with Sch. 13 para. 17 of the amending Act) by Finance Act 2012 (c. 14), **Sch. 13 para. 15** (with Sch. 13 Pt. 4) (and see also, as to denial of relief for

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contributions paid during the period 29.11.2011 to 21.2.2012, the ss. 196B-196J inserted by [Finance Act 2012 \(c. 14\)](#), [Sch. 13 paras. 1, 3](#) (with [Sch. 13 Pt. 2](#)))

### 196F Employer asset-backed contributions: denial of relief (3)

- (1) An employer (“E”) is not to be given relief in respect of a contribution (“E’s contribution”) paid by E under a registered pension scheme if conditions A and B are met.
- (2) Condition A is that—
  - (a) a partnership holds an asset (“the security”) at any time before an arrangement (“the asset-backed arrangement”) is made,
  - (b) under the asset-backed arrangement the partnership receives money or another asset (“the advance”) from another person (“the lender”),
  - (c) the advance is (wholly or partly) paid or provided by the lender out of E’s contribution (directly or indirectly),
  - (d) there is a relevant change in relation to the partnership (see section 196H), and
  - (e) under the asset-backed arrangement the share in the partnership’s profits of the person involved in the relevant change (see section 196H) is determined by reference (wholly or partly) to payments in respect of the security.
- (3) For the purposes of subsection (2)(e) it does not matter if any determination of the share in the partnership’s profits of the person involved in the relevant change as mentioned is subject to any condition.
- (4) Condition B is that the asset-backed arrangement is not an acceptable structured finance arrangement (see section 196G).

#### Textual Amendments

**F402** Ss. 196B-196L inserted (with effect in accordance with Sch. 13 para. 17 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 13 para. 15](#) (with [Sch. 13 Pt. 4](#)) (and see also, as to denial of relief for contributions paid during the period 29.11.2011 to 21.2.2012, the ss. 196B-196J inserted by [Finance Act 2012 \(c. 14\)](#), [Sch. 13 paras. 1, 3](#) (with [Sch. 13 Pt. 2](#)))

### 196G Employer asset-backed contributions: “acceptable structured finance arrangement” (3)

- (1) For the purposes of section 196F the asset-backed arrangement is an “acceptable structured finance arrangement” if conditions M to Q are met.
- (2) Condition M is that—
  - (a) in accordance with generally accepted accounting practice, the partnership’s accounts for the period in which the advance is received record a financial liability (“the recorded financial liability”) in respect of the advance, and
  - (b) the asset-backed arrangement is a type 3 finance arrangement for the purposes of Chapter 5B of Part 13 of ITA 2007 or Chapter 2 of Part 16 of CTA 2010 (finance arrangements).
- (3) Condition N is that—
  - (a) the lender is a responsible authority,

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- (b) the advance is money which is paid by the lender directly to the partnership wholly and directly out of E's contribution, and
  - (c) the advance and the recorded financial liability (as originally recorded) are both of an amount equal to the amount of E's contribution.
- (4) Condition O is that, as at the time the advance is paid, the position of the lender is as follows—
- (a) it is the lender (and not any person connected with the lender) who is or is to be the person involved in the relevant change in relation to the partnership,
  - (b) the lender's share in the partnership's profits is to be determined wholly by reference to the payments mentioned in section 196F(2)(e),
  - (c) determinations of the lender's share in the partnership's profits are to be made at times which have been fixed and fall at intervals of no more than one year (but allowing for determinations otherwise due to be made on a non-working day to be made on the next working day),
  - (d) no later than 3 months after the day on which a determination of the lender's share in the partnership's profits is made, the lender is to make a drawing from the partnership on account of its determined share (but allowing for drawings otherwise due to be made on a non-working day to be made on the next working day),
  - (e) on its making, each drawing is directly to become part of the sums held for the purposes of the registered pension scheme,
  - (f) the drawings are all to be of the same amount,
  - (g) the total amount of the drawings is not to be less than the amount of E's contribution, and
  - (h) all of the lender's share in the partnership's profits is to be drawn by the lender from the partnership within a period (“the drawing period”) ending no later than the end of the period of 25 years beginning with the day on which E's contribution is paid.
- (5) For the purposes of subsection (4)(c) the first determination is to be made no later than one year after the day on which the advance is paid.
- (6) For the purposes of subsection (4)(f) the following are to be ignored—
- (a) negligible differences in the amounts of drawings;
  - (b) differences in the amounts of drawings which would be caused by a term of the asset-backed arrangement that requires the amounts of all outstanding drawings to be increased periodically by a percentage which cannot be higher than the highest of the following—
    - (i) the percentage increase in the consumer prices index for the reference period, being a period determined, in relation to each periodic increase, under the term of the asset-backed arrangement in question;
    - (ii) the percentage increase in the retail prices index for the reference period;
    - (iii) the percentage for the reference period which corresponds to 5% per annum.
- (7) In determining the lender's position for the purposes of subsection (4), regard must be had (in particular) to any arrangements connected (directly or indirectly) to the asset-backed arrangement.

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- (8) Condition P is that, as at the time the advance is paid, in accordance with generally accepted accounting practice the recorded financial liability is to be reduced to nil by the end of the drawing period by (and only by) the payments mentioned in section 196F(2)(e).
- (9) Condition Q is that, as at the time the advance is paid, no commitment to which subsection (10) applies has been given.
- (10) This subsection applies to a commitment (whether or not legally enforceable and whether or not subject to any conditions) if—
- (a) it is given (directly or indirectly) to a relevant person,
  - (b) it is a commitment to secure that a person receives money or another asset, and
  - (c) it is linked (directly or indirectly) to any determination of the lender's share in the partnership's profits or any drawing from the partnership on account of that share.
- (11) In subsection (10)(a) “relevant person” means—
- (a) E;
  - (b) a person connected with E;
  - (c) a person acting (directly or indirectly) at the direction or request, or with the agreement, of E or a person connected with E;
  - (d) a person chosen (directly or indirectly) by E or a person connected with E;
  - (e) a person within a class of person chosen (directly or indirectly) by E or a person connected with E;
  - (f) a partnership;
- but does not include a responsible authority.
- (12) In this section—
- (a) “responsible authority” means—
    - (i) the persons who from time to time are the trustees of the registered pension scheme, or
    - (ii) the persons who from time to time are the persons controlling the management of the registered pension scheme,
 in their capacity as such, and
  - (b) references to the making of drawings from the partnership include references to the receiving of distributions from the partnership.

#### Textual Amendments

**F402** Ss. 196B-196L inserted (with effect in accordance with Sch. 13 para. 17 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 13 para. 15](#) (with [Sch. 13 Pt. 4](#)) (and see also, as to denial of relief for contributions paid during the period 29.11.2011 to 21.2.2012, the ss. 196B-196J inserted by [Finance Act 2012 \(c. 14\)](#), [Sch. 13 paras. 1, 3](#) (with [Sch. 13 Pt. 2](#)))

#### **196H Employer asset-backed contributions: “relevant change in relation to the partnership” and “person involved in the relevant change”**

- (1) For the purposes of sections 196D and 196F there is a relevant change in relation to the partnership if condition X or Y is met.



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- (2) Condition X is that, in connection with the asset-backed arrangement, the lender or a person connected with the lender becomes a member of the partnership at any time.
- (3) Condition Y is that—
  - (a) in connection with the asset-backed arrangement, there is at any time a change in a member's share in the partnership's profits, and
  - (b) the member is the lender or a person connected with the lender or a person who in connection with the asset-backed arrangement becomes at any time connected with the lender.
- (4) For the purposes of subsections (2) and (3) an event occurs in connection with the asset-backed arrangement if it occurs directly or indirectly in consequence of it or otherwise in connection with it.
- (5) For the purposes of sections 196D to 196G references to the person involved in the relevant change in relation to the partnership are—
  - (a) if it is condition X that is met, to the lender or the person connected with the lender (as the case may be), and
  - (b) if it is condition Y that is met, to the member of the partnership in whose share in the partnership's profits there is a change.

#### Textual Amendments

**F402** Ss. 196B-196L inserted (with effect in accordance with Sch. 13 para. 17 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 13 para. 15](#) (with [Sch. 13 Pt. 4](#)) (and see also, as to denial of relief for contributions paid during the period 29.11.2011 to 21.2.2012, the ss. 196B-196J inserted by [Finance Act 2012 \(c. 14\)](#), [Sch. 13 paras. 1, 3](#) (with [Sch. 13 Pt. 2](#)))

### **196I Employer asset-backed contributions: change in lender's original position under acceptable structured finance arrangement etc**

- (1) This section applies if—
  - (a) an employer (“E”) pays a contribution (“E's contribution”) under a registered pension scheme,
  - (b) conditions A and C in section 196B are met or condition A in section 196D or 196F is met,
  - (c) the asset-backed arrangement is an acceptable structured finance arrangement for the purposes of section 196B, 196D or 196F (as the case may be) and, accordingly, condition B in that section is not met, and
  - (d) at any time (“the relevant time”) after the advance is paid—
    - (i) the lender's position changes from the lender's original position in any respect (whether as a result of a term of the asset-backed arrangement or another arrangement or otherwise),
    - (ii) an event occurs or does not occur and the occurrence or non-occurrence of the event does not accord with the lender's original position in any respect,
    - (iii) in accordance with generally accepted accounting practice, the recorded financial liability is reduced to nil other than by a payment mentioned in section 196B(2)(a)(iii), 196D(2)(g) or section 196F(2)(e) (as the case may be),

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- (iv) a commitment to which section 196C(10), 196E(10) or 196G(10) (as the case may be) applies is given, or
  - (v) an event falling within section 196J occurs.
- (2) This section also applies if—
- (a) the requirements of subsection (1)(a) to (c) are met, and
  - (b) at any time (“the relevant time”) after the advance is paid, in accordance with generally accepted accounting practice, the recorded financial liability is reduced in part other than by a payment mentioned in section 196B(2)(a)(iii), 196D(2)(g) or section 196F(2)(e) (as the case may be).
- (3) Subject to subsection (4), the relevant amount is treated as follows as relevant—
- (a) for corporation tax purposes, the relevant amount is treated as if it were a profit which E has in respect of E's loan relationships chargeable to corporation tax under section 299 of CTA 2009 for E's accounting period in which the relevant time falls, or
  - (b) for income tax purposes, the relevant amount is treated as if it were an amount of income of E chargeable to income tax under Chapter 8 of Part 5 of ITTOIA 2005 for the tax year in which the relevant time falls.
- (4) The amount treated as profit or income by subsection (3)(a) or (b), together with any amounts so treated on any previous applications of this section in relation to the asset-backed arrangement, is not to exceed the total amount of relief given in respect of E's contribution.
- (5) If this section applies by virtue of subsection (1), from the relevant time Chapter 5B of Part 13 of ITA 2007 or Chapter 2 of Part 16 of CTA 2010 (as relevant) is no longer to apply in relation to the asset-backed arrangement.
- (6) But no person is, by virtue of subsection (5), to be placed in a position which is more advantageous than the position in which the person would have been had this section never applied; and, in order to give effect to this principle, such assessments to tax or adjustments to any assessment to tax as are just and reasonable are to be made.
- (7) Subsection (1)(d)(i) and (ii) does not cover—
- (a) cases in which the lender's change in position, or the occurrence or non-occurrence of the event, is the direct result of a mere administrative error, so long as the consequences of the error are remedied promptly, or
  - (b) mere changes in the persons who are the trustees of the registered pension scheme or in the persons who control the management of the registered pension scheme.
- (8) For the purposes of subsection (1)(d)(ii) it does not matter if the occurrence or non-occurrence of the event is authorised by a term of the asset-backed arrangement or results from the occurrence or non-occurrence of another event which is so authorised.
- (9) If this section applies by virtue of subsection (1)(d)(v), in subsection (3) references to the relevant time are to be read as references to the time immediately before the relevant time.
- (10) In this section—
- “the advance” and “the asset-backed arrangement” have the same meaning as in section 196B, 196D or 196F (as the case may be),

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“the lender's original position” means the lender's position as at the time the advance is paid set out in the paragraphs of section 196C(4), 196E(4) or 196G(4) (as the case may be),

“the recorded financial liability” has the same meaning as in section 196C, 196E or 196G (as the case may be), and

“the relevant amount” means—

- (a) if this section applies by virtue of subsection (1), the outstanding amount of the recorded financial liability immediately before the relevant time determined in accordance with generally accepted accounting practice, or
- (b) if this section applies by virtue of subsection (2), the amount of the reduction of the recorded financial liability.

#### Textual Amendments

**F402** Ss. 196B-196L inserted (with effect in accordance with Sch. 13 para. 17 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 13 para. 15](#) (with [Sch. 13 Pt. 4](#)) (and see also, as to denial of relief for contributions paid during the period 29.11.2011 to 21.2.2012, the ss. 196B-196J inserted by [Finance Act 2012 \(c. 14\)](#), [Sch. 13 paras. 1, 3](#) (with [Sch. 13 Pt. 2](#)))

### **196J Employer asset-backed contributions: further events which cause section 196I to apply**

- (1) The events falling within this section are those listed in subsection (2).
- (2) The events are—
  - (a) if E is a company within the charge to corporation tax when E's contribution is paid, E ceases to be within that charge;
  - (b) if E is a limited liability partnership in relation to which section 863(1) of ITTOIA 2005 or section 1273(1) of CTA 2009 applies when E's contribution is paid, that provision ceases to apply in relation to E;
  - (c) if E is a firm for the purposes of ITTOIA 2005 (see section 847) or CTA 2009 (see section 1257) (other than a limited liability partnership) when E's contribution is paid, the partnership ceases to carry on the trade, profession or business in question;
  - (d) in any case—
    - (i) if E is a company, E enters administration or the winding up of E starts;
    - (ii) if E is a partnership, the partnership is dissolved;
    - (iii) if E is an individual, E dies.
- (3) Sections 10(3) and 12(7) of CTA 2009 apply for the purposes of subsection (2)(d)(i).

#### Textual Amendments

**F402** Ss. 196B-196L inserted (with effect in accordance with Sch. 13 para. 17 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 13 para. 15](#) (with [Sch. 13 Pt. 4](#)) (and see also, as to denial of relief for contributions paid during the period 29.11.2011 to 21.2.2012, the ss. 196B-196J inserted by [Finance Act 2012 \(c. 14\)](#), [Sch. 13 paras. 1, 3](#) (with [Sch. 13 Pt. 2](#)))

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## 196K Employer asset-backed contributions: “advances” under acceptable structured finance arrangements

- (1) This section applies if—
  - (a) an employer pays a contribution under a registered pension scheme,
  - (b) condition A in section 196B, 196D or 196F is met,
  - (c) the asset-backed arrangement is an acceptable structured finance arrangement for the purposes of section 196B, 196D or 196F (as the case may be) and, accordingly, condition B in that section is not met, and
  - (d) the advance gives rise to a loan within the meaning of Chapter 3 (see section 162).
- (2) Section 180(4) does not prevent the advance from being a scheme administration employer payment (if it would otherwise do so).
- (3) In this section “the advance” and “the asset-backed arrangement” have the same meaning as in section 196B, 196D or 196F (as the case may be).

### Textual Amendments

**F402** Ss. 196B-196L inserted (with effect in accordance with Sch. 13 para. 17 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 13 para. 15](#) (with [Sch. 13 Pt. 4](#)) (and see also, as to denial of relief for contributions paid during the period 29.11.2011 to 21.2.2012, the ss. 196B-196J inserted by [Finance Act 2012 \(c. 14\)](#), [Sch. 13 paras. 1, 3](#) (with [Sch. 13 Pt. 2](#)))

## 196L Employer asset-backed contributions: supplementary

- (1) This section applies for the purposes of sections 196B to 196K.
- (2) References to relief being given in respect of a contribution paid by an employer under a registered pension scheme are references to relief being given by way of—
  - (a) the contribution being deducted in computing the amount of the employer's profits for the purposes of Part 2 of ITTOIA 2005 or Part 3 of CTA 2009 (trading income),
  - (b) the contribution being treated as an expense of management of the employer for the purposes of Chapter 2 of Part 16 of CTA 2009 (expenses of management: companies with investment business), or
  - <sup>F403</sup>(c) [ the contribution being ordinary BLAGAB management expenses of the employer for an accounting period for the purposes of section 76 of FA 2012.]
- (3) Whether a person is connected with another person is determined in accordance with section 1122 of CTA 2010.
- (4) Sections 774, 775 and 776(2) and (4) of CTA 2010 apply as they apply for the purposes of Chapter 2 of Part 16 of that Act.
- (5) A reference to a disposal of an asset includes—
  - (a) anything constituting a disposal of an asset for the purposes of TCGA 1992, and
  - (b) so far as not covered by paragraph (a), the taking of any step by virtue of which a person receives an asset.
- (6) Section 776(2) of CTA 2010 applies for the purposes of subsection (5)(b).

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- (7) “Non-working day” means—
- (a) a Saturday or Sunday,
  - (b) a Christmas Eve, Christmas Day or Good Friday, or
  - (c) a day which is a bank holiday under the Banking and Financial Dealings Act 1971 in any part of the United Kingdom,
- and “working day” is to be read accordingly.]

#### Textual Amendments

**F402** Ss. 196B-196L inserted (with effect in accordance with Sch. 13 para. 17 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 13 para. 15](#) (with [Sch. 13 Pt. 4](#)) (and see also, as to denial of relief for contributions paid during the period 29.11.2011 to 21.2.2012, the ss. 196B-196J inserted by [Finance Act 2012 \(c. 14\)](#), [Sch. 13 paras. 1, 3](#) (with [Sch. 13 Pt. 2](#)))

**F403** S. 196L(2)(c) substituted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 115](#)

## 197 Spreading of relief

- (1) This section applies where—
- (a) contributions are paid by an employer under a registered pension scheme in two consecutive chargeable periods (“the previous chargeable period” and “the current chargeable period”), and
  - (b) the amount of the contributions paid in the current chargeable period otherwise than for an excepted purpose (“CCCP”) exceeds 210% of the amount of the contributions paid in the previous chargeable period (“CPCP”).
- (2) Relief under [<sup>F404</sup>the relieving provisions] is to be given in respect of so much of CCCP as exceeds 110% of CPCP (“the amount of the relevant excess contributions”) in accordance with subsections (4) and (5).
- (3) But subsection (2)—
- (a) does not apply if the amount of the relevant excess contributions is less than £500,000, and
  - (b) has effect subject to section 198 (cessation of business).
- (4) A fraction of the whole of the amount of the relevant excess contributions is to be treated for the purposes of [<sup>F405</sup>the relieving provisions] as if it had been paid in the chargeable period, or in each of the two or three chargeable periods, immediately after the current chargeable period (leaving only the remainder to be treated as paid in the current chargeable period).
- (5) The following table specifies (by reference to the amount of the relevant excess contributions)—
- (a) the fraction of the whole of the amount of the relevant excess contributions which is to be treated as paid in the chargeable period, or in each of the two or three chargeable periods, immediately after the current chargeable period, and
  - (b) the chargeable period or periods in which it is to be treated as paid.

**AMOUNT OF THE RELEVANT  
EXCESS CONTRIBUTIONS**

**FRACTION AND CHARGEABLE  
PERIOD OR PERIODS**

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500,000 or more but less than 1,000,000	One-half of the whole of the amount of the relevant excess contributions is to be treated as paid in the chargeable period immediately after the current chargeable period
1,000,000 or more but less than 2,000,000	One-third of the whole of the amount of the relevant excess contributions is to be treated as paid in each of the two chargeable periods immediately after the current chargeable period
2,000,000 or more	One-quarter of the whole of the amount of the relevant excess contributions is to be treated as paid in each of the three chargeable periods immediately after the current chargeable period

- (6) Subsection (7) specifies for the purposes of subsection (1) when contributions paid by the employer in the current chargeable period are paid for an excepted purpose.
- (7) They are paid for an excepted purpose if paid with a view to funding—
- (a) an increase in the amount of pensions paid to pensioner members of the pension scheme to reflect increases in the cost of living, or
  - (b) benefits which may accrue under the pension scheme to or in respect of individuals who become members of the pension scheme in the current chargeable period as a result of future service as employees of the employer.
- (8) Where the previous chargeable period and the current chargeable period are not of equal length, this section has effect as if CPCP were the amount it would otherwise be as adjusted by being multiplied by the appropriate factor.
- (9) The appropriate factor is—

$$\frac{\text{DCCP}}{\text{DPCP}}$$

where—

DCCP is the number of days in the current chargeable period, and

DPCP is the number of days in the previous chargeable period.

[<sup>F406</sup>(9A) In this section “the relieving provisions” means the provisions mentioned in subsections (2) to (4) of section 196 (relief for employers in respect of contributions paid), as they have effect under that section.]

- (10) In this section “chargeable period” means—
- (a) in a case where the contributions are deducted in computing profits to be charged under [<sup>F407</sup>Part 2 of ITTOIA 2005][<sup>F408</sup>or Part 3 of CTA 2009 (trading income),] a period of account, and
  - (b) in a case where relief in respect of the contributions is given under [<sup>F409</sup>[<sup>F410</sup>section 76 of FA 2012] (expenses of insurance companies) or Chapter

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2 of Part 16 of CTA 2009 (expenses of management: companies with investment business), an accounting period.]

#### Textual Amendments

- F404** Words in s. 197(2) substituted (21.7.2008) by [Finance Act 2008 \(c. 9\)](#), [Sch. 29 para. 14\(2\)\(a\)](#)  
**F405** Words in s. 197(4) substituted (21.7.2008) by [Finance Act 2008 \(c. 9\)](#), [Sch. 29 para. 14\(2\)\(b\)](#)  
**F406** S. 197(9A) inserted (21.7.2008) by [Finance Act 2008 \(c. 9\)](#), [Sch. 29 para. 14\(2\)\(c\)](#)  
**F407** Words in s. 197(10)(a) inserted (6.4.2006) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), [Sch. 1 para. 647](#), [Sch. 2 para. 161](#) (with [Sch. 2](#))  
**F408** Words in s. 197(10)(a) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 1 para. 575\(a\)](#) (with [Sch. 2 Pts. 1, 2](#))  
**F409** Words in s. 197(10)(b) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 1 para. 575\(b\)](#) (with [Sch. 2 Pts. 1, 2](#))  
**F410** Words in s. 197(10)(b) substituted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 116](#)

#### Modifications etc. (not altering text)

- C54** S. 197 excluded (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, [20](#)

#### Commencement Information

- I50** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 198 Spreading of relief: cessation of business

- (1) This section applies if—
  - (a) the employer ceases to carry on business in the current chargeable period or a later chargeable period in which section 197(4) would require a fraction of the amount of the relevant excess contributions to be treated as paid, and
  - (b) were section 197(4) to apply, relief in relation to the whole of the amount of the relevant excess contributions would not be given pre-cessation.
- (2) Relief is given pre-cessation if it is given for the chargeable period in which the employer ceases to carry on business or any earlier chargeable period.
- (3) The portion of the amount of the relevant excess contributions in relation to which relief would not have been given pre-cessation (“the unrelieved portion”) is to be treated as paid (at the option of the employer) either—
  - (a) in the chargeable period in which the employer ceases to carry on business, or
  - (b) as provided by subsection (4).
- (4) This subsection provides that the amount determined under subsection (3) is to be treated as paid on each day in the period—
  - (a) beginning with the current chargeable period, and
  - (b) ending with the day on which the employer ceases to carry on business, (“the relevant period”).
- (5) The amount referred to in subsection (4) is—

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$$\frac{UP}{DRP}$$

where—

UP is the amount of the unrelieved portion, and

DRP is the number of days in the relevant period.

- (6) Expressions used in this section and section 197 have the same meaning in this section as in that section.

**Modifications etc. (not altering text)**

**C55** S. 198 excluded (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, **20**

**Commencement Information**

**I51** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

**199 Deemed contributions**

- (1) This section applies where a sum is paid to the trustees or managers of a registered pension scheme by an employer in or towards the discharge of any liability of the employer under—
- (a) section 75 of the Pensions Act 1995 (c. 26)(deficiencies in the assets of a pension scheme), or
  - (b) Article 75 of the Pensions (Northern Ireland) Order 1995 (S.I. 1995/3213 (N.I. 22)) (corresponding provision for Northern Ireland).
- (2) The making of the payment is to be treated for the purposes of <sup>[F411]</sup>the relieving provisions (within the meaning of section 197) and sections 197 and 198] as if it were the payment of a contribution by the employer under the pension scheme.
- (3) Subsections (4) and (5) apply if the employer's trade, profession, vocation or business is discontinued before the making of the payment.
- (4) The payment is to be relieved—
- (a) to the same extent as it would have been but for the discontinuance, and
  - (b) as if it had been made on the last day on which the trade, profession, vocation or business was carried on.
- <sup>[F412]</sup>(5) And, for the purposes of section 76 of FA 2012, it is to be treated as meeting the conditions in section 77(2)(a) and (c) of that Act to the extent that it would otherwise not meet them.]

**Textual Amendments**

**F411** Words in s. 199(2) substituted (21.7.2008) by [Finance Act 2008 \(c. 9\)](#), [Sch. 29 para. 14\(3\)](#)

**F412** S. 199(5) substituted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 117](#)



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#### **Modifications etc. (not altering text)**

- C56** S. 199 applied (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, **21**
- C57** S. 199 applied (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\)](#), regs. 1(1), **3(2)**

#### **Commencement Information**

- I52** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

### **[<sup>F413</sup>199] Indirect contributions**

- (1) This section applies where an employer (“E”)—
  - (a) pays contributions under a registered pension scheme (“the original scheme”) in a chargeable period, and
  - (b) would (apart from subsection (4)) be entitled in the next chargeable period to an amount of relief in respect of a payment within subsection (2),and the avoidance condition is met.
- (2) A payment is within this subsection if all or part of the payment is intended to facilitate the payment of pension contributions under the original scheme or a substitute scheme by a person other than E.
- (3) The avoidance condition is that—
  - (a) section 197 would apply if, in the chargeable period mentioned in subsection (1)(b), E paid pension contributions under the original scheme of the amount of the relevant relief, and
  - (b) the purpose, or one of the purposes, of facilitating the payment of pension contributions by a person other than E is to enable pension contributions to be paid without that section applying.
- (4) For the purposes of the spreading provisions, the amount of the relevant relief is to be treated as the amount of a pension contribution paid by E under the original scheme in the chargeable period mentioned in subsection (1)(b).
- (5) The “relevant relief” is the relief to which the employer would (apart from subsection (4)) be entitled in that chargeable period in respect of—
  - (a) the payment within subsection (2), or
  - (b) where only part of the payment is intended to facilitate the payment of pension contributions as mentioned in that subsection, that part of the payment.
- (6) A “substitute scheme” is any registered pension scheme—
  - (a) to which there is a relevant transfer in the period of 2 years ending with the day on which the payment within subsection (2) is made, or
  - (b) to which it is envisaged that a relevant transfer will or may be made after that day.
- (7) A relevant transfer is a recognised transfer from the original scheme of more than 30% of the aggregate of—
  - (a) in a case within subsection (6)(a), the amount of the sums and the market value of the assets held for the purposes of, or representing accrued rights under, the original scheme immediately before the transfer, and

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- (b) in a case within subsection (6)(b), the amount of those sums and the market value of those assets on the day on which the payment is made.
- (8) If there is a transfer from a substitute scheme to another registered pension scheme which would have been a relevant transfer had it been a transfer from the original scheme at the time the relevant transfer was made, that other scheme is also a substitute scheme.
- (9) In subsection (1)(b) the reference to relief in respect of a payment within subsection (2) includes relief for a liability in respect of the making of the payment by a person other than E.
- (10) In this section references to E being entitled to an amount of relief are to an amount—
- (a) being deductible in computing the amount of the profits of E for the purposes of Part 2 of ITTOIA 2005 [<sup>F414</sup>or Part 3 of CTA 2009 (trading income)],
  - (b) being expenses of management of E for the purposes of [<sup>F415</sup>Chapter 2 of Part 16 of CTA 2009] (expenses of management: companies with investment business), or
  - (c) being [<sup>F416</sup>ordinary BLAGAB management expenses of E for an accounting period for the purposes of section 76 of FA 2012].
- (11) In this section—
- “the spreading provisions” means sections 197 and 198 and this section, and
- “chargeable period” has the meaning given by section 197.]

#### Textual Amendments

- F413** S. 199A inserted (21.7.2008) (with effect in accordance with s. 90(2) of the amending Act) by [Finance Act 2008 \(c. 9\), s. 90\(1\)](#)
- F414** Words in s. 199A(10)(a) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\), s. 1329\(1\), Sch. 1 para. 576\(a\)](#) (with [Sch. 2 Pts. 1, 2](#))
- F415** Words in s. 199A(10)(b) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\), s. 1329\(1\), Sch. 1 para. 576\(b\)](#) (with [Sch. 2 Pts. 1, 2](#))
- F416** Words in s. 199A(10)(c) substituted (17.7.2012) by [Finance Act 2012 \(c. 14\), Sch. 16 para. 118](#)

## 200 No other relief for employers in connection with contributions

No sums other than contributions paid by an employer under a registered pension scheme—

- (a) are deductible in computing the amount of the profits of the employer for the purposes of [<sup>F417</sup>Part 2 of ITTOIA 2005][<sup>F418</sup>or Part 3 of CTA 2009 (trading income)],
- (b) are expenses of management for the purposes of [<sup>F419</sup>Chapter 2 of Part 16 of CTA 2009] (expenses of management: companies with investment business), or
- <sup>F420</sup>(c) are to count as ordinary BLAGAB management expenses of the employer for an accounting period for the purposes of section 76 of FA 2012,] in connection with the cost of providing benefits under the pension scheme.

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#### Textual Amendments

- F417** Words in s. 200(a) inserted (6.4.2006) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), [Sch. 1 para. 649](#), [Sch. 2 para. 161](#) (with [Sch. 2](#))
- F418** Words in s. 200(a) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 1 para. 577\(a\)](#) (with [Sch. 2 Pts. 1, 2](#))
- F419** Words in s. 200(b) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 1 para. 577\(b\)](#) (with [Sch. 2 Pts. 1, 2](#))
- F420** S. 200(c) substituted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 119](#)

#### Modifications etc. (not altering text)

- C58** S. 200 applied (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\)](#), regs. 1(1), 3(3)

#### Commencement Information

- I53** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 201 Relief for employees

- (1) In section 307(1) of ITEPA 2003 (exemption for provision made by employer for retirement or death benefit), after “employer” insert “ under a registered pension scheme or otherwise ”.
- (2) For section 308 of ITEPA 2003 (exemption of contributions to approved personal pension arrangements) substitute—

### “308 Exemption of contributions to registered pension scheme

No liability to income tax arises in respect of earnings where an employee’s employer makes contributions under a registered pension scheme.”

#### Commencement Information

- I54** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

### *Inland Revenue contributions*

## 202 Minimum contributions under pensions legislation

- F421**(1) . . . . .
- F421**(2) . . . . .
- F421**(3) . . . . .
- F421**(4) . . . . .

- (5) The Board of Inland Revenue may by regulations—
  - (a) prescribe circumstances in which this section does not apply, or

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(b) make provision supplementing this section.

<sup>F421</sup>(6) .....

#### Textual Amendments

**F421** S. 202 omitted (6.4.2016 except for s. 202(5)) by virtue of [Finance Act 2013 \(c. 29\), s. 52\(6\)\(12\)](#)

#### Commencement Information

**I55** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

### *Inheritance tax exemptions*

## 203 Inheritance tax exemptions

- (1) The Inheritance Tax Act 1984 (c. 51) is amended as follows.
- (2) In section 12 (dispositions that are not transfers of value)—
  - (a) in subsection (2), for the words following “if” substitute “ it is a contribution under a registered pension scheme or section 615(3) scheme in respect of an employee of the person making the disposition. ”, and
  - (b) omit subsections (3) and (4).
- (3) In section 58(1) (settled property in which no qualifying interest in possession subsists but which is not “relevant property”), for paragraph (d) substitute—
 

“(d) property which is held for the purposes of a registered pension scheme or section 615(3) scheme;”.
- (4) In section 151 (treatment of pension rights etc.)—
  - (a) omit subsections (1) and (1A),
  - (b) in subsections (2), (4) and (5), for “fund or scheme to which this section applies” substitute “ registered pension scheme or section 615(3) scheme ”, and
  - (c) in subsection (2)(b), for the “fund or scheme” (in both places) substitute “ scheme ”.
- (5) In section 152 (cash options), for the words from the beginning to “or scheme” substitute “ Where on a person’s death an annuity becomes payable under a registered pension scheme or section 615(3) scheme to a widow, widower<sup>F422</sup>, surviving civil partner] or dependant of that person and under the terms of the scheme ”.
- (6) In section 272 (general interpretation), insert at the appropriate places—
 

““registered pension scheme” has the same meaning as in Part 4 of the Finance Act 2004;”, and

““section 615(3) scheme” means a superannuation fund to which section 615(3) of the Taxes Act 1988 applies;”.

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#### Textual Amendments

**F422** Words in s. 203(5) inserted (with effect in accordance with reg. 1(7) of the amending S.I.) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **178**

#### Commencement Information

**I56** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## CHAPTER 5

### REGISTERED PENSION SCHEMES: TAX CHARGES

#### *Charges on authorised payments*

#### **204 Authorised pensions and lump sums**

- (1) Schedule 31 contains provision about the taxation of pensions and lump sums which are authorised to be paid by this Part.
- (2) Schedule 36 contains (in Part 4) transitional provision about the taxation of annuities under existing retirement annuity contracts and other relevant transitional provision.

#### Commencement Information

**I57** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

#### **205 Short service refund lump sum charge**

- (1) A charge to income tax, to be known as the short service refund lump sum charge, arises where a short service refund lump sum is paid by a registered pension scheme.
- (2) The person liable to the short service refund lump sum charge is the scheme administrator.
- (3) The scheme administrator is liable to the short service refund lump sum charge whether or not—
  - (a) the scheme administrator, and
  - (b) the person to whom the short service refund lump sum is paid, are resident<sup>F423</sup> ... or domiciled in the United Kingdom.
- (4) The rate of the charge is—
  - (a) 20% in respect of so much of the lump sum as does not exceed [<sup>F424</sup>£20,000], and
  - (b) [<sup>F425</sup>50%] in respect of so much (if any) of it as exceeds that limit.
- (5) The Treasury may by order amend subsection (4) so as to—

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- (a) increase or decrease either or both of the rates for the time being specified in that subsection, or
  - (b) increase the limit for the time being specified in paragraph (a) of that subsection.
- (6) Tax under this section is to be charged on the amount of the lump sum paid or, if the rules of the pension scheme permit the scheme administrator to deduct the tax before payment, on the amount of the lump sum before deduction of tax.
- (7) A short service refund lump sum is not to be treated as income for any purpose of the Tax Acts.

#### Textual Amendments

- F423** Words in s. 205(3) omitted (with effect in accordance with Sch. 46 para. 132 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), **Sch. 46 para. 121**
- F424** Sum in s. 205(4)(a) substituted (24.3.2010 with effect for the tax year 2010-11 and subsequent tax years) by [The Taxation of Pensions Schemes \(Rates, etc\) Order 2010 \(S.I. 2010/536\)](#), **arts. 1, 3(2)**
- F425** Percentage in s. 205(4)(b) substituted (24.3.2010 with effect for the tax year 2010-11 and subsequent tax years) by [The Taxation of Pensions Schemes \(Rates, etc\) Order 2010 \(S.I. 2010/536\)](#), **arts. 1, 3(3)**

#### Modifications etc. (not altering text)

- C59** S. 205 modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), **Sch. 3 Pt. 1**
- C60** S. 205 applied by 2003 c. 1, s. 636A(3) (as inserted (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), **Sch. 31 para. 11** (with [Sch. 36](#)))

#### Commencement Information

- I58** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

### <sup>F426</sup>205A Serious ill-health lump sum charge

.....

#### Textual Amendments

- F426** [S. 205A](#) omitted (with effect in accordance with Sch. 5 para. 4 of the amending Act) by virtue of [Finance Act 2016 \(c. 24\)](#), **Sch. 5 para. 1(2)**

### 206 Special lump sum death benefits charge

- (1) A charge to income tax, to be known as the special lump sum death benefits charge, arises where—
- (a) a pension protection lump sum death benefit,
  - (b) an annuity protection lump sum death benefit, <sup>F427</sup>...
  - <sup>F428</sup>(c) a drawdown pension fund lump sum death benefit, [<sup>F429</sup>or
  - (d) a flexi-access drawdown fund lump sum death benefit,]
- is paid [<sup>F430</sup>, to a non-qualifying person,] by a registered pension scheme [<sup>F431</sup>in respect of a member who had reached the age of 75 at the date of the member's death].

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[<sup>F432</sup>(1ZA) In subsection (1) the reference to a member (and to the member's death) are to be read—

- (a) in relation to—
  - (i) a drawdown pension fund lump sum death benefit under paragraph 17(2) of Schedule 29, or
  - (ii) a flexi-access drawdown fund lump sum death benefit under paragraph 17A(2) of Schedule 29,as a reference to a dependant (and to the dependant's death),
- (b) in relation to a flexi-access drawdown fund lump sum death benefit under paragraph 17A(3) of Schedule 29, as a reference to a nominee (and to the nominee's death), and
- (c) in relation to a flexi-access drawdown fund lump sum death benefit under paragraph 17A(4) of Schedule 29, as a reference to a successor (and to the successor's death).]

[<sup>F433</sup>(1A) The special lump sum death benefits charge also arises where—

- (a) a defined benefits lump sum death benefit, or
  - (b) an uncrystallised funds lump sum death benefit,
- is paid [<sup>F434</sup>, to a non-qualifying person,] by a registered pension scheme in respect of a member who had reached the age of 75 at the date of the member's death.]

[<sup>F435</sup>(1B) The special lump sum death benefits charge also arises where—

- (a) a lump sum death benefit is paid [<sup>F436</sup>, to a non-qualifying person,] by a registered pension scheme in respect of a member of the scheme who had not reached the age of 75 at the date of the member's death,
- (b) the lump sum death benefit is—
  - (i) a drawdown pension fund lump sum death benefit under paragraph 17(1) of Schedule 29,
  - (ii) a flexi-access drawdown fund lump sum death benefit under paragraph 17A(1) of Schedule 29,[ a defined benefits lump sum death benefit,]or<sup>F437</sup>(ii a)
  - (iii) an uncrystallised funds lump sum death benefit, and
- (c) the lump sum death benefit is not paid before the end of the period of two years beginning with the earlier of the day on which the scheme administrator of the scheme first knew of the member's death and the day on which the scheme administrator could first reasonably have been expected to have known of it.

(1C) The special lump sum death benefits charge also arises where—

- (a) a lump sum death benefit is paid [<sup>F438</sup>, to a non-qualifying person,] by a registered pension scheme on the death of a dependant, nominee or successor of a deceased member of the scheme,
- (b) the dependant, nominee or successor (“the beneficiary”) had not reached the age of 75 at the date of the beneficiary's death,
- (c) the lump sum death benefit is—
  - (i) a drawdown pension fund lump sum death benefit under paragraph 17(2) of Schedule 29, or
  - (ii) a flexi-access drawdown fund lump sum death benefit under paragraph 17A(2), (3) or (4) of Schedule 29, and

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- (d) the lump sum death benefit is not paid before the end of the period of two years beginning with the earlier of the day on which the scheme administrator of the scheme first knew of the beneficiary's death and the day on which the scheme administrator could first reasonably have been expected to have known of it.]
- (2) The person liable to the special lump sum death benefits charge is the scheme administrator.
- (3) The scheme administrator is liable to the special lump sum death benefits charge whether or not—
- (a) the scheme administrator, and
  - (b) the person to whom the lump sum death benefit is paid,
- are resident<sup>F439</sup> ... or domiciled in the United Kingdom.
- (4) The rate of the charge is [<sup>F440</sup>45%] in respect of the lump sum death benefit.
- (5) The Treasury may by order increase or decrease the rate for the time being specified in subsection (4).
- (6) Tax under this section is to be charged on the amount of the lump sum paid or, if the rules of the pension scheme permit the scheme administrator to deduct the tax before payment, on the amount of the lump sum before deduction of tax.
- [<sup>F441</sup>(7) A lump sum death benefit in respect of which income tax is charged under this section is not to be treated as income for any purpose of the Tax Acts [<sup>F442</sup>(but see subsection (8)).]]
- [<sup>F443</sup>(8) Where—
- (a) a lump sum death benefit in respect of which tax is charged under this section is one paid to a non-qualifying person in the person's capacity as a trustee, and
  - (b) a payment of any part of the lump sum is made out of a settlement to a beneficiary who is an individual,
- the amount received by the beneficiary, together with so much of the tax charged under this section on the lump sum as is attributable to the amount received by the beneficiary, is income of the beneficiary for income tax purposes but the beneficiary may claim to deduct that much of that tax from the income tax charged on the beneficiary's total income for the tax year in which the payment is made to the beneficiary.
- (9) For the purposes of this section, a person is a “non-qualifying person” in relation to payment of a lump sum if—
- (a) the person is not an individual, or
  - (b) the person is an individual and the payment is made to the person in the person's capacity as—
    - (i) a trustee or personal representative,
    - (ii) a director of a company,
    - (iii) a partner in a firm, or
    - (iv) a member of a limited liability partnership,

except that a person is not a “non-qualifying person” in relation to payment of a lump sum if the payment is made to the person in the person's capacity as a bare trustee.
- (10) In subsection (9)—
- “bare trustee” means a person acting as trustee for—



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- (a) an individual absolutely entitled as against the trustee,
  - (b) two or more individuals who are so entitled,
  - (c) an individual who would be so entitled but for being a minor or otherwise lacking legal capacity, or
  - (d) two or more individuals who would be so entitled but for all or any of them being a minor or otherwise lacking legal capacity,
- “director” is read in accordance with section 452 of CTA 2010, and references to a firm are to be read in the same way as references to a firm in Part 9 of ITTOIA 2005 (which contains special provision about partnerships).]

### Textual Amendments

- F427** Word in s. 206(1)(b) omitted (17.12.2014) by virtue of [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 13\(a\)](#)
- F428** S. 206(1)(c) substituted (with effect in accordance with Sch. 16 paras. 85, 103 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 41\(2\)](#)
- F429** S. 206(1)(d) and preceding word inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 13\(b\)](#)
- F430** Words in s. 206(1) inserted (with effect in accordance with s. 21(10) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [s. 21\(2\)](#)
- F431** Words in s. 206(1) inserted (17.12.2014) (with application in accordance with s. 2(5) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [s. 2\(2\)](#)
- F432** S. 206(1ZA) inserted (17.12.2014) (with application in accordance with Sch. 2 para. 20 of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 17\(2\)](#)
- F433** S. 206(1A) inserted (with effect in accordance with Sch. 16 paras. 85, 103 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 41\(3\)](#)
- F434** Words in s. 206(1A) inserted (with effect in accordance with s. 21(10) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [s. 21\(2\)](#)
- F435** S. 206(1B)(1C) inserted (17.12.2014) (with application in accordance with Sch. 2 para. 20 of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 17\(3\)](#)
- F436** Words in s. 206(1B)(a) inserted (with effect in accordance with s. 21(10) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [s. 21\(2\)](#)
- F437** S. 206(1B)(b)(iia) inserted (with effect in accordance with s. 21(10) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [s. 21\(3\)](#)
- F438** Words in s. 206(1C)(a) inserted (with effect in accordance with s. 21(10) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [s. 21\(2\)](#)
- F439** Words in s. 206(3) omitted (with effect in accordance with Sch. 46 para. 132 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 46 para. 123](#)
- F440** Word in s. 206(4) substituted (17.12.2014) (with application in accordance with s. 2(5) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [s. 2\(3\)](#)
- F441** S. 206(7) substituted (17.12.2014) (with application in accordance with Sch. 2 para. 20 of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 17\(4\)](#)
- F442** Words in s. 206(7) inserted (with effect in accordance with s. 21(10) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [s. 21\(4\)](#)
- F443** S. 206(8)-(10) inserted (with effect in accordance with s. 21(10) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [s. 21\(5\)](#)

### Modifications etc. (not altering text)

- C61** S. 206 modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), [Sch. 3 Pt. 1](#)

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**C62** S. 206 applied by S.R. 1995/95, reg. 89A(10) (as inserted (N.I.) (with effect in accordance with reg. 1(2) of the amending Rule) by [The Health and Personal Social Services \(Superannuation Scheme, Injury Benefits and Additional Voluntary Contributions\) \(Amendment\) Regulations \(Northern Ireland\) 2006 \(S.R. 2006/410\)](#), regs. 1(2), 16)

#### **Commencement Information**

**I59** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## **207 Authorised surplus payments charge**

- (1) A charge to income tax, to be known as the authorised surplus payments charge, arises where an authorised surplus payment is made to a sponsoring employer by an occupational pension scheme that is a registered pension scheme.
- (2) The person liable to the authorised surplus payments charge is the scheme administrator.
- (3) The scheme administrator is liable to the authorised surplus payments charge whether or not—
  - (a) the scheme administrator, and
  - (b) the sponsoring employer,
 are resident<sup>F444</sup> ... or domiciled in the United Kingdom.
- (4) The rate of the charge is 35% in respect of the authorised surplus payment.
- (5) The Treasury may by order increase or decrease the rate for the time being specified in subsection (4).
- (6) Subsection (1) does not apply to any authorised surplus payment—
  - (a) to the extent that (if this section had not been enacted) the sponsoring employer would have been exempt, or entitled to claim exemption, from income tax or corporation tax in respect of it, or
  - (b) if the sponsoring employer is a charity.
- <sup>F445</sup>(6A) Subsection (1) does not apply to an authorised surplus payment to the extent that the payment is funded (directly or indirectly) by a surrender of (or an agreement to surrender) benefits or rights which results in the registered pension scheme being treated as making an unauthorised payment under section 172A.
- (6B) Terms used in subsection (6A) which are defined in section 172A have the same meaning as they have in that section.]
- (7) An authorised surplus payment in respect of which income tax is charged under this section is not to be treated as income for any purpose of the Tax Acts.
- (8) Schedule 36 contains (in Part 4) transitional provisions about the authorised surplus payments charge.

#### **Textual Amendments**

**F444** Words in s. 207(3) omitted (with effect in accordance with Sch. 46 para. 132 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 46 para. 124](#)

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**F445** S. 207(6A)(6B) inserted (with effect in accordance with Sch. 7 para. 12 of the amending Act) by Finance Act 2014 (c. 26), **Sch. 7 para. 11**

**Modifications etc. (not altering text)**

**C63** S. 207 modified (6.4.2006) by **The Registered Pension Schemes (Splitting of Schemes) Regulations 2006 (S.I. 2006/569)**, regs. 1(1), 3(1)(2), **Sch. 3 Pt. 1**

**Commencement Information**

**I60** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

*Unauthorised payments charge*

**208 Unauthorised payments charge**

- (1) A charge to income tax, to be known as the unauthorised payments charge, arises where an unauthorised payment is made by a registered pension scheme.
- (2) The person liable to the charge—
  - (a) in the case of an unauthorised member payment [<sup>F446</sup>made to or in respect of a person before the person's death, is the person,]
  - (b) in the case of an unauthorised member payment made [<sup>F447</sup>in respect of a person after the person's] death, is the recipient, and
  - (c) in the case of an unauthorised employer payment, is the [<sup>F448</sup>person] to or in respect of whom the payment is made.
- (3) If more than one person is liable to the unauthorised payments charge in respect of an unauthorised payment, those persons are jointly and severally liable to the charge in respect of the payment.
- (4) A person is liable to the unauthorised payments charge whether or not—
  - (a) that person,
  - (b) any other person who is liable to the unauthorised payments charge, and
  - (c) the scheme administrator,are resident<sup>F449</sup>... or domiciled in the United Kingdom.
- (5) The rate of the charge is 40% in respect of the unauthorised payment.
- [<sup>F450</sup>(6) The Treasury may by order amend subsection (5) so as to vary the rate of the unauthorised payments charge.
- (6A) An order under subsection (6) may make provision for there to be different rates in different circumstances.]
- (7) An unauthorised payment may also be subject to—
  - (a) the unauthorised payments surcharge under section 209, and
  - (b) the scheme sanction charge under section 239.
- (8) An unauthorised payment is not to be treated as income for any purpose of the Tax Acts.

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### Textual Amendments

- F446** Words in s. 208(2)(a) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 14\(a\)](#)
- F447** Words in s. 208(2)(b) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 14\(b\)](#)
- F448** Word in s. 208(2)(c) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 14\(c\)](#)
- F449** Words in s. 208(4) omitted (with effect in accordance with Sch. 46 para. 132 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 46 para. 125](#)
- F450** S. 208(6)(6A) substituted for s. 208(6) (with effect in accordance with Sch. 2 para. 25 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 2 para. 12](#)

### Modifications etc. (not altering text)

- C64** S. 208 modified (1.4.2012) by [The Postal Services Act 2011 \(Taxation\) Regulations 2012 \(S.I. 2012/764\)](#), regs. 1(1), [24](#); [S.I. 2012/687](#); [S.I. 2012/688](#); [S.I. 2012/966](#)

### Commencement Information

- I61** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 209 Unauthorised payments surcharge

- (1) A charge to income tax, to be known as the unauthorised payments surcharge, arises where a surchargeable unauthorised payment is made by a registered pension scheme.
- (2) “Surchargeable unauthorised payments” means—
  - (a) surchargeable unauthorised member payments (see section 210), and
  - (b) surchargeable unauthorised employer payments (see section 213).
- (3) The person liable to the charge—
  - (a) in the case of a surchargeable unauthorised member payment [<sup>F451</sup>made to or in respect of a person before the person's death, is the person,]
  - (b) in the case of a surchargeable unauthorised member payment made [<sup>F452</sup>in respect of a person after the person's] death, is the recipient, and
  - (c) in the case of a surchargeable unauthorised employer payment, is the [<sup>F453</sup>person] to or in respect of whom the payment was made.
- (4) If more than one person is liable to the unauthorised payments surcharge in respect of a surchargeable unauthorised payment, those persons are jointly and severally liable to the surcharge in respect of the payment.
- (5) A person is liable to the unauthorised payments surcharge whether or not—
  - (a) that person,
  - (b) any other person who is liable to the unauthorised payments surcharge, <sup>F454</sup>...
  - (c) the scheme administrator, [<sup>F455</sup>and]
  - <sup>F456</sup>(d) the sub-scheme administrator,]
 are resident<sup>F457</sup>... or domiciled in the United Kingdom.
- (6) The rate of the charge is 15% in respect of the surchargeable unauthorised payment.

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[<sup>F458</sup>(7) The Treasury may by order amend subsection (6) so as to vary the rate of the unauthorised payments surcharge.

(8) An order under subsection (7) may make provision for there to be different rates in different circumstances.]

#### Textual Amendments

- F451** Words in s. 209(3)(a) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 15\(a\)](#)
- F452** Words in s. 209(3)(b) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 15\(b\)](#)
- F453** Word in s. 209(3)(c) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 15\(c\)](#)
- F454** Word in s. 209(5)(b) deleted (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), [4\(1\)\(a\)](#)
- F455** Word in s. 209(5)(c) added (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), [4\(1\)\(b\)](#)
- F456** S. 209(5)(d) added (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), [4\(1\)\(c\)](#)
- F457** Words in s. 209(5) omitted (with effect in accordance with Sch. 46 para. 132 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 46 para. 126](#)
- F458** S. 209(7)(8) substituted for s. 209(7) (with effect in accordance with Sch. 2 para. 25 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 2 para. 13](#)

#### Modifications etc. (not altering text)

- C65** S. 209 modified (1.4.2012) by [The Postal Services Act 2011 \(Taxation\) Regulations 2012 \(S.I. 2012/764\)](#), regs. 1(1), [24](#); [S.I. 2012/687](#); [S.I. 2012/688](#); [S.I. 2012/966](#)

#### Commencement Information

- I62** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 210 Surchargeable unauthorised member payments

- (1) This section identifies which unauthorised member payments made by a registered pension scheme [<sup>F459</sup>to or in respect of a person who is or has been a member of] the pension scheme are surchargeable.
- (2) If the surcharge threshold is reached before the end of the period of 12 months beginning with a reference date, each unauthorised member payment made [<sup>F460</sup>to or in respect of the person] in the surcharge period is surchargeable.
- (3) The surcharge period is the period—
  - (a) beginning with the reference date, and
  - (b) ending with the day on which the surcharge threshold is reached.
- (4) The first reference date is the date on which the pension scheme first makes an unauthorised member payment [<sup>F461</sup>to or in respect of the person].

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- (5) Each subsequent reference date is the date, after the end of the previous reference period, on which the pension scheme next makes an unauthorised member payment [<sup>F462</sup>to or in respect of the person].
- (6) The previous reference period is the period of 12 months beginning with the previous reference date or, if the surcharge threshold is reached in that period, is the surcharge period ending with the date on which it was reached.
- (7) The surcharge threshold is reached if the unauthorised payments percentage reaches 25%.
- (8) The unauthorised payments percentage is the aggregate of the percentages of the pension fund used up by each unauthorised member payment made by the pension scheme [<sup>F463</sup>to or in respect of the person] on or after the reference date.
- (9) The percentage of the pension fund used up on the occasion of an unauthorised member payment is—

$$\frac{\text{UMP}}{\text{VR}} \times 100$$

where—

UMP is the amount of the unauthorised member payment, and

VR is an amount equal to the [<sup>F464</sup>aggregate of the value of the member's rights under arrangements relating to the member under the pension scheme when the unauthorised payment is made (or, if the unauthorised member payment is made after the member has died or has otherwise ceased to be a member of the pension scheme, at the date when the member died or otherwise ceased to be a member).]

- (10) The value of the member's rights under [<sup>F465</sup>an arrangement on any] date is the aggregate of—
  - (a) the value of the member's crystallised rights under the arrangement on that date, calculated in accordance with section 211, and
  - (b) the value of the member's uncrystallised rights under the arrangement on that date, calculated in accordance with section 212.

#### Textual Amendments

- F459** Words in s. 210(1) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 16\(2\)](#)
- F460** Words in s. 210(2) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 16\(3\)](#)
- F461** Words in s. 210(4) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 16\(3\)](#)
- F462** Words in s. 210(5) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 16\(3\)](#)
- F463** Words in s. 210(8) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 16\(3\)](#)
- F464** Words in s. 210(9) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 16\(4\)](#)

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**F465** Words in s. 210(10) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 16\(5\)](#)

#### Commencement Information

**I63** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 211 Valuation of crystallised rights for purposes of section 210

- (1) The value of the member's crystallised rights under [<sup>F466</sup>an arrangement] on any date is the aggregate of—
- (a) the value of each scheme pension or lifetime annuity to which the member has an actual (rather than a prospective) entitlement under the arrangement on that date, <sup>F467</sup> ...
  - (b) the aggregate of the amount of the sums, and the market value of the assets, representing the [<sup>F468</sup>member's drawdown pension fund] in respect of the arrangement on that date (if any) [<sup>F469</sup>, and
  - (c) the aggregate of the amount of the sums, and the market value of the assets, representing the member's flexi-access drawdown fund in respect of the arrangement on that date (if any).]
- (2) The value of a scheme pension or lifetime annuity is—

$$RVF \times ARP$$

where—

RVF is the relevant valuation factor (see section 276), and

ARP is an amount equal to the annual rate of the pension or annuity on the date.

#### Textual Amendments

**F466** Words in s. 211(1) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 17](#)

**F467** Word in s. 211(1)(a) omitted (17.12.2014) by virtue of [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 14\(a\)](#)

**F468** Words in s. 211(1)(b) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 71](#)

**F469** S. 211(1)(c) and preceding word inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 14\(b\)](#)

#### Commencement Information

**I64** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 212 Valuation of uncrystallised rights for purposes of section 210

- (1) Rights are uncrystallised if the member is not entitled to the present payment of benefits in respect of the rights.

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- (2) The member is to be treated as entitled to the present payment of benefits in respect of the sums and assets representing the [<sup>F470</sup>member's drawdown pension fund][<sup>F471</sup>or the member's flexi-access drawdown fund].
- (3) The value of the member's uncrystallised rights under [<sup>F472</sup>an arrangement] on any date is to be calculated—
- (a) in accordance with subsection (4) if the arrangement is a cash balance arrangement,
  - (b) in accordance with subsection (5) if the arrangement is a money purchase arrangement other than a cash balance arrangement,
  - (c) in accordance with subsection (6) if the arrangement is a defined benefits arrangement, and
  - (d) in accordance with subsection (7) if the arrangement is a hybrid arrangement.
- (4) If this subsection applies, the value of the member's uncrystallised rights under the arrangement on the date is the amount which would, on the valuation assumptions (see section 277), be available for the provision of benefits in respect of those rights if the member became entitled to benefits in respect of those rights on the date.
- (5) If this subsection applies, the value of the member's uncrystallised rights under the arrangement on the date is the aggregate of—
- (a) the amount of such of the sums held for the purposes of the arrangement on the date as represent those rights, and
  - (b) the market value of such of the assets held for the purposes of the arrangement on the date as represent those rights.
- (6) If this subsection applies, the value of the member's uncrystallised rights under the arrangement on the date is—

$$(RVF \times ARP) + LS$$

where—

RVF is the relevant valuation factor (see section 276),

ARP is the annual rate of pension to which the member would, on the valuation assumptions, be entitled under the arrangement on the date if, on the date, the member acquired an actual (rather than a prospective) right to receive a pension in respect of the rights, and

LS is the amount of any lump sum to which the member would, on the valuation assumptions, be entitled under the arrangement on the date (otherwise than by way of commutation of pension) if, on the date, the member acquired an actual (rather than a prospective) right to payment of a lump sum in respect of the rights.

- (7) If this subsection applies, the value of the member's uncrystallised rights under the arrangement on the date is—
- (a) if each of subsections (4), (5) and (6) is relevant, the greatest of the values of the rights calculated in accordance with each of those subsections, or
  - (b) if only two of those subsections are relevant, the greater of the values of the rights calculated in accordance with each of the two subsections.



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- (8) Subsection (4) is relevant if, in any circumstances, cash balance benefits may be provided to or in respect of the member under the arrangement.
- (9) Subsection (5) is relevant if, in any circumstances, money purchase benefits other than cash balance benefits may be provided to or in respect of the member under the arrangement.
- (10) Subsection (6) is relevant if, in any circumstances, defined benefits may be provided to or in respect of the member under the arrangement.

#### Textual Amendments

**F470** Words in s. 212(2) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 72](#)

**F471** Words in s. 212(2) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 15](#)

**F472** Words in s. 212(3) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 18](#)

#### Modifications etc. (not altering text)

**C66** S. 212 modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), 9, 10

#### Commencement Information

**I65** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 213 Surchargeable unauthorised employer payments

- (1) This section identifies which unauthorised employer payments made by a registered pension scheme to or in respect of a [<sup>F473</sup>person who is or has been a] sponsoring employer are surchargeable.
- (2) If the surcharge threshold is reached before the end of the period of 12 months beginning with a reference date, each unauthorised employer payment made to or in respect of the [<sup>F474</sup>person] in the surcharge period is surchargeable.
- (3) The surcharge period is the period—
  - (a) beginning with the reference date, and
  - (b) ending with the day on which the surcharge threshold is reached.
- (4) The first reference date is the date on which the pension scheme first makes an unauthorised employer payment to or in respect of the [<sup>F475</sup>person].
- (5) Each subsequent reference date is the date, after the end of the previous reference period, on which the pension scheme next makes an unauthorised employer payment to or in respect of the [<sup>F476</sup>person].
- (6) The previous reference period is the period of 12 months beginning with the previous reference date or, if the surcharge threshold is reached in that period, is the surcharge period ending with the date on which it was reached.
- (7) The surcharge threshold is reached if the unauthorised payments percentage reaches 25%.

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- (8) The unauthorised payments percentage is the aggregate of the percentages of the pension fund used up by each unauthorised employer payment made by the pension scheme to or in respect of the [<sup>F477</sup>person] on or after the reference date.
- (9) The percentage of the pension fund used up on the occasion of an unauthorised employer payment is—

$$\frac{\text{UEP}}{\text{AA}} \times 100$$

where—

UEP is the amount of the unauthorised employer payment, and

AA is an amount equal to the aggregate of the amount of the sums and the market value of the assets held for the purposes of the pension scheme at the time when the unauthorised employer payment is made.

#### Textual Amendments

- F473** Words in s. 213(1) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), **Sch. 23 para. 19(2)**
- F474** Word in s. 213(2) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), **Sch. 23 para. 19(3)**
- F475** Word in s. 213(4) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), **Sch. 23 para. 19(3)**
- F476** Word in s. 213(5) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), **Sch. 23 para. 19(3)**
- F477** Word in s. 213(8) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), **Sch. 23 para. 19(3)**

#### Modifications etc. (not altering text)

- C67** S. 213 excluded (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, 22

#### Commencement Information

- I66** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

<sup>F478</sup>High income excess relief charge

#### Textual Amendments

- F478** **Ss. 213A-213P** and cross-heading inserted (with effect for tax year 2011-12 and subsequent tax years in accordance with **Sch. 2 para. 5** of the amending Act) by [Finance Act 2010 \(c. 13\)](#), **Sch. 2 para. 2**; which insertion fell without ever having effect as a result of the repeal (10.12.2010) of the affecting provision by [The Finance Act 2010, Section 23 and Schedule 2 \(High Income Excess Relief Charge\) \(Repeal\) Order 2010 \(S.I. 2010/2938\)](#), arts. 1, 2

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### **213A High income excess relief charge**

- (1) A charge to income tax, to be known as the high income excess relief charge, arises where—
  - (a) an individual who is a member of one or more registered pension schemes has a high income for a tax year, and
  - (b) there is a total pension savings amount in the case of the individual for the tax year.
- (2) The person liable to the high income excess relief charge is the individual.
- (3) The individual is liable to the high income excess relief charge whether or not—
  - (a) the individual, and
  - (b) the scheme administrator of the pension scheme or schemes concerned, are UK resident, ordinarily UK resident or domiciled in the United Kingdom.
- (4) The high income excess relief charge is a charge at the appropriate rate in respect of the total pension savings amount.
- (5) The total pension savings amount is not to be treated as income for any purpose of the Tax Acts apart from this Part.
- (6) In calculating the individual's liability to income tax for the tax year the amount of any income tax to which the individual is liable under this section is to be added at Step 7 of the calculation in section 23 of ITA 2007 (which applies as if this section were a provision listed in section 30 of that Act).
- (7) The following sections make further provision about the high income excess relief charge—
  - (a) sections 213B to 213D (high income),
  - (b) section 213E (the appropriate rate),
  - (c) sections 213F to 213N (total pension savings amount),
  - (d) section 213O (anti-avoidance), and
  - (e) section 213P (power to amend).

### **213B High income**

An individual has a high income for a tax year if—

- (a) the individual's gross income for the tax year is £150,000 or more, and
- (b) the individual's relevant income for the tax year is not less than £130,000.

### **213C Gross income**

To find the individual's gross income for a tax year take the following steps—

*Step 1* Identify the individual's total income for the tax year.

*Step 2* Add the amount of any deductions made from any employment income of the individual for the tax year under Part 12 of ITEPA 2003 (payroll giving), under section 193(2) of this Act or under Chapter 2 of Part 5 of ITEPA 2003 (employee's expenses) in accordance with paragraph 51 of Schedule 36 to this Act.

*Step 3* Deduct the amount of any relief under the provisions listed in section 24 of ITA 2007, other than Chapter 3 of Part 8 of that Act (gifts of shares, securities

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or real property to charity) and sections 193(4) and 194(1) of this Act, to which the individual is entitled for the tax year.

*Step 4* Add so much of the amount that is the total pension savings amount in the case of the individual for the tax year as remains after deducting from it the amount of any relievable pension contributions paid by or on behalf of the individual during the tax year.

### 213D Relevant income

- (1) To find the individual's relevant income for a tax year take the following steps—

*Step 1* Identify the individual's total income for the tax year.

*Step 2* Add the amount of any deductions made from any employment income of the individual for the tax year under Part 12 of ITEPA 2003 (payroll giving), under section 193(2) of this Act or under Chapter 2 of Part 5 of ITEPA 2003 (employee's expenses) in accordance with paragraph 51 of Schedule 36 to this Act.

*Step 3* Deduct the amount of any relief under the provisions listed in section 24 of ITA 2007, other than Chapter 3 of Part 8 of that Act (gifts of shares, securities or real property to charity) and sections 193(4) and 194(1) of this Act, to which the individual is entitled for the tax year.

*Step 4* Add any amount by which what would otherwise be general earnings or specific employment income of the individual for the tax year has been reduced by relevant salary sacrifice arrangements or relevant flexible remuneration arrangements.

The result is the individual's relevant income for the tax year.

- (2) In subsection (1)—

“relevant salary sacrifice arrangements” means arrangements under which the individual gives up the right to receive general earnings or specific employment income in return for the making of relevant pension provision and which are made on or after 22 April 2009 (whether before or after the employment in question began);

“relevant flexible remuneration arrangements” means arrangements under which the individual and an employer of the individual agree that relevant pension provision is to be made rather than the individual receive some description of employment income and which are made on or after 22 April 2009 (whether before or after the employment in question began).

- (3) In subsection (2) “relevant pension provision” means the payment of contributions (or additional contributions) to a pension scheme in respect of the individual or otherwise (by an employer of the individual or any other person) to secure an increase in the amount of benefits to which the individual or any person who is a dependant of, or is connected with, the individual is actually or prospectively entitled under a pension scheme.
- (4) Section 993 of ITA 2007 (meaning of “connected” persons) applies for the purposes of subsection (3).

### 213E The appropriate rate

- (1) “The appropriate rate”, in relation to the total pension savings amount in the case of the individual for a tax year, is—

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- (a) 0% in relation to so much (if any) of that amount as, when added to the individual's reduced net income for the tax year, does not exceed the basic rate limit,
  - (b) 20% in relation to so much (if any) of that amount as, when so added, exceeds the basic rate limit but does not exceed the higher rate limit, and
  - (c) 30% in relation to so much (if any) of that amount as, when so added, exceeds the higher rate limit.
- (2) But where the individual's gross income for the tax year is less than £180,000, the percentages in subsection (1)(b) and (c) are each reduced (but to no less than 0%) by 1 percentage point for every £1,000 by which it is less than £180,000.
- (3) The individual's reduced net income for the tax year is the amount after taking step 3 in section 23 of ITA 2007 in the case of the individual for the tax year.
- (4) Where the basic rate limit or the higher rate limit for the tax year is (in accordance with section 192 of this Act and section 414 of ITA 2007) increased in the case of the individual, the references to the limit in subsection (1) are to the limit as so increased.

## **213F Total pension savings amount**

- (1) The total pension savings amount in the case of an individual for a tax year is arrived at by aggregating the pension savings amounts in respect of each arrangement relating to the individual under a registered pension scheme of which the individual is a member.
- (2) The pension savings amount in respect of an arrangement—
- (a) is the amount arrived at under section 213G if it is a money purchase arrangement other than a cash balance arrangement,
  - (b) is the amount arrived at under section 213H if it is a cash balance arrangement,
  - (c) is the amount arrived at under section 213J if it is a defined benefits arrangement, and
  - (d) is the amount arrived at under section 213N if it is a hybrid arrangement.
- (3) Where the pension savings amount in respect of an arrangement would otherwise be a negative amount it is to be taken to be nil.
- (4) Where—
- (a) the total pension input amount in the case of the individual under section 229 for the tax year, exceeds
  - (b) the amount of the annual allowance for the tax year,
- the total pension savings amount in the case of the individual for the tax year is reduced by the amount of the excess.
- (5) The Treasury may by regulations make provision—
- (a) for an arrangement relating to the individual to be left out of account in arriving at the total pension savings amount in the case of the individual for a tax year if the individual meets the condition in subsection (6) throughout the tax year and such conditions as are prescribed by the regulations are met, and
  - (b) for modifying the operation of any of the provisions relating to the high income excess relief charge in relation to an arrangement relating to the individual for a tax year if the individual meets the condition in subsection (6) for only part of the tax year and such conditions as are prescribed by the regulations are met.

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- (6) The condition in this subsection, in relation to the individual and an arrangement under a pension scheme, is that the individual is a deferred member of the pension scheme (or would be if it were the only arrangement under the pension scheme relating to the individual).

### 213G Money purchase arrangements other than cash balance arrangements

- (1) The pension savings amount in respect of a money purchase arrangement other than a cash balance arrangement is the total of—
- (a) any relievable pension contributions paid by or on behalf of the individual under the arrangement, and
  - (b) contributions paid in respect of the individual under the arrangement by an employer of the individual,
- during the tax year.
- (2) The references to contributions in subsection (1)(a) and (b) do not include minimum payments under—
- (a) section 8 of the Pension Schemes Act 1993, or
  - (b) section 4 of the Pension Schemes (Northern Ireland) Act 1993,
- or any amount recovered under regulations made under subsection (3) of either of those sections.
- (3) When at any time contributions paid under a pension scheme by an employer otherwise than in respect of any individual become held for the purposes of the provision under an arrangement under the pension scheme of benefits to or in respect of an individual, they are to be treated as being contributions paid at that time in respect of the individual under the arrangement.
- (4) If during the tax year the individual becomes entitled to a serious ill-health lump sum under the arrangement or dies, the pension savings amount in the case of the individual in respect of the arrangement is nil.

### 213H Cash balance arrangements

- (1) The pension savings amount in respect of a cash balance arrangement is the appropriate increase.
- (2) The appropriate increase is—

$$(\text{ACR} \times \text{CARARF}) - (\text{UOR} \times \text{OARARF})$$

where—

ACR is the amount of the closing rights (see subsection (3)), adjusted in accordance with section 213I,

CARARF is the factor which is the appropriate age-related factor (see section 213L) in relation to the closing rights,

UOR is the amount of the opening rights (see subsection (4)), uprated in accordance with section 213M, and

OARARF is the factor which is the appropriate age-related factor (see section 213L) in relation to the opening rights.

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- (3) The amount of the closing rights is the amount which would, on the relevant assumptions, be available for the provision of benefits to or in respect of the individual under the arrangement if the individual became entitled to the benefits at the end of the tax year.
- (4) The amount of the opening rights is the amount which would, on the relevant assumptions, be available for the provision of benefits to or in respect of the individual under the arrangement if the individual became entitled to the benefits at the end of the preceding tax year.
- (5) If, during the tax year, minimum payments are made under—
  - (a) section 8 of the Pension Schemes Act 1993, or
  - (b) section 4 of the Pension Schemes (Northern Ireland) Act 1993,in relation to the individual in connection with a cash balance arrangement, the amount is to be subtracted from what would otherwise be the pension savings amount in the case of the individual in respect of the arrangement.
- (6) If during the tax year the individual becomes entitled to a serious ill-health lump sum under the arrangement or dies, the pension savings amount in the case of the individual in respect of the arrangement is nil.
- (7) In this section and section 213J “the relevant assumptions” means—
  - (a) the valuation assumptions (see section 277) as modified by regulations made by the Treasury, and
  - (b) such other assumptions as the Treasury may by regulations prescribe.

### **213I Adjustment of closing rights**

- (1) This section applies for adjusting ACR under section 213H.
- (2) If, during the tax year, the rights of the individual under the arrangement have been reduced by having become subject to a pension debit, the amount of the reduction is to be added to ACR.
- (3) If, during the tax year, the rights of the individual under the arrangement have been increased by the individual having become entitled to a pension credit deriving from the same or another registered pension scheme, the amount of the increase is to be subtracted from ACR.
- (4) If, during the tax year, the rights of the individual under the arrangement have been reduced by reason of a transfer relating to the individual of any sums or assets held for the purposes of, or representing accrued rights under, the arrangement so as to become held for the purposes of, or to represent rights under, any other pension scheme that is—
  - (a) a registered pension scheme, or
  - (b) a qualifying recognised overseas pension scheme,the amount of the reduction is to be added to ACR.
- (5) If, during the tax year, the rights of the individual under the arrangement have been increased by reason of a transfer relating to the individual of any sums or assets held for the purposes of, or representing accrued rights under, any pension scheme so as to become held for the purposes of, or to represent rights under, the arrangement, the amount of the increase is to be subtracted from ACR.

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- (6) If, during the tax year, the rights of the individual under the arrangement have been reduced by any surrender made, or similar action taken, pursuant to an option available to the individual under the arrangement, the amount of the reduction is to be added to ACR.
- (7) If, during the tax year—
- (a) benefit crystallisation event 1, 2, 3, or 4 occurs in relation to the individual and the arrangement,
  - (b) benefit crystallisation event 6 so occurs by virtue of the individual becoming entitled to a pension commencement lump sum or a lifetime allowance excess lump sum, or
  - (c) there is an allocation of rights of the individual under the arrangement (not falling within paragraph (a)),
- the amount of the reduction in the amount of the rights available for the provision of benefits to or in respect of the individual occurring by reason of the event or allocation is to be added to ACR.

### **213J Defined benefits arrangements**

- (1) The pension savings amount in respect of a defined benefits arrangement is the aggregate of—
- (a) the appropriate pension increase (see subsection (2)), and
  - (b) the appropriate lump sum increase (see subsection (5)).
- (2) The appropriate pension increase is—
- $$(ACP \times CAPARF) - (UOP \times OAPARF)$$
- where—
- ACP is the amount of the closing pension (see subsection (3)), adjusted in accordance with section 213K,
- CAPARF is the factor which is the appropriate age-related factor (see section 213L) in relation to the closing pension,
- UOP is the amount of the opening pension (see subsection (4)), uprated in accordance with section 213M, and
- OAPARF is the factor which is the appropriate age-related factor (see section 213L) in relation to the opening pension.
- (3) The amount of the closing pension is the annual rate of the pension to which the individual would, on the relevant assumptions, be entitled under the arrangement if the individual became entitled to it at the end of the tax year.
- (4) The amount of the opening pension is the annual rate of the pension to which the individual would, on the relevant assumptions, be entitled under the arrangement if the individual became entitled to it at the end of the preceding tax year.
- (5) The appropriate lump sum increase is—

$$(ACLS \times CALSARF) - (UOLS \times OALSARF)$$

where—



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ACLS is the amount of the closing lump sum (see subsection (6)), adjusted in accordance with section 213K,

CALSARF is the factor which is the appropriate age-related factor (see section 213L) in relation to the closing lump sum,

UOLS is the amount of the opening lump sum (see subsection (7)), uprated in accordance with section 213M, and

OALSARF is the factor which is the appropriate age-related factor (see section 213L) in relation to the opening lump sum.

- (6) The amount of the closing lump sum is the amount of the lump sum to which the individual would, on the relevant assumptions, be entitled under the arrangement if the individual became entitled to it at the end of the tax year.
- (7) The amount of the opening lump sum is the amount of the lump sum to which the individual would, on the relevant assumptions, be entitled under the arrangement if the individual became entitled to it at the end of the preceding tax year.
- (8) If, during the tax year, minimum payments are made under—
  - (a) section 8 of the Pension Schemes Act 1993, or
  - (b) section 4 of the Pension Schemes (Northern Ireland) Act 1993,in relation to the individual in connection with a defined benefits arrangement, the amount is to be subtracted from what would otherwise be the pension savings amount in the case of the individual in respect of the arrangement.
- (9) If during the tax year the individual becomes entitled to a serious ill-health lump sum under the arrangement or dies, the pension savings amount in the case of the individual in respect of the arrangement is nil.

### **213K Adjustment of closing pension and lump sum**

- (1) This section applies for adjusting ACP and ACLS under section 213J.
- (2) If, during the tax year, the annual rate of the pension, or the amount of the lump sum, to which the individual would be entitled under the arrangement has been reduced by having become subject to a pension debit, the amount of the reduction is to be added to ACP or ACLS.
- (3) If, during the tax year, the annual rate of the pension, or the amount of the lump sum, to which the individual would be entitled under the arrangement has been increased by the individual having become entitled to a pension credit deriving from the same or another registered pension scheme, the amount of the increase is to be subtracted from ACP or ACLS.
- (4) If, during the tax year, the annual rate of the pension, or the amount of the lump sum, to which the individual would be entitled under the arrangement has been reduced by reason of a transfer relating to the individual of any sums or assets held for the purposes of, or representing accrued rights under, the arrangement so as to become held for the purposes of, or to represent rights under, any other pension scheme that is—
  - (a) a registered pension scheme, or
  - (b) a qualifying recognised overseas pension scheme,the amount of the reduction is to be added to ACP or ACLS.

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- (5) If, during the tax year, the annual rate of the pension, or the amount of the lump sum, to which the individual would be entitled under the arrangement has been increased by reason of a transfer relating to the individual of any sums or assets held for the purposes of, or representing accrued rights under, any pension scheme so as to become held for the purposes of, or to represent rights under, the arrangement, the amount of the increase is to be subtracted from ACP or ACLS.
- (6) If, during the tax year, the annual rate of the pension, or the amount of the lump sum, to which the individual would be entitled under the arrangement has been reduced by any commutation, allocation or surrender made, or similar action taken, pursuant to an option available to the individual under the arrangement, the amount of the reduction is to be added to ACP or ACLS.
- (7) If, during the tax year—
  - (a) benefit crystallisation event 2 or 3 occurs in relation to the individual and the arrangement, or
  - (b) benefit crystallisation event 6 occurs in relation to the individual and the arrangement by virtue of the individual becoming entitled to a pension commencement lump sum or a lifetime allowance excess lump sum,
 the annual rate of the pension, or the amount of the lump sum, to which the individual became entitled (otherwise than by commutation of lump sum or of pension) is to be added to ACP or ACLS.

### **213L Age-related factors**

- (1) The Treasury must make regulations about age-related factors.
- (2) Different provision may be made in relation to rights age-related factors and lump sum age-related factors, on the one hand, and pension age-related factors on the other.
- (3) For the purposes of sections 213H and 213J the “appropriate” age-related factor is the age-related factor which applies in the case of the individual, and the amount of the rights or lump sum, or rate of the pension, in accordance with the regulations.
- (4) Regulations under subsection (1) must make provision for the age-related factor or factors applying in the case of the individual to be arrived at by reference to—
  - (a) the age of the individual, and
  - (b) the relevant normal pension age,
 at the relevant time.
- (5) The relevant time, in relation to factors for a tax year, is the end of the tax year unless the case is one in which there is a change in the relevant normal pension age during the tax year.
- (6) In that case, the relevant time, in relation to the relevant normal pension age and the opening rights, opening pension or opening lump sum for the tax year, is the end of the previous tax year.
- (7) Regulations under subsection (1) may make provision for the age-related factor or factors applying in the case of an individual and an arrangement to vary according to the nature and extent of the benefits which may be provided to or in respect of the individual under the arrangement.

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- (8) Before making the first regulations under subsection (1) the Treasury must seek advice from the Government Actuary or the Deputy Government Actuary.
- (9) Before making any other regulations under subsection (1) the Treasury must carry out a review of the provision made by the regulations for the time being in force under this section; and when conducting such a review the Treasury must seek advice from the Government Actuary or the Deputy Government Actuary.
- (10) The Treasury must carry out a review of the provision made by the regulations for the time being in force under subsection (1)—
  - (a) no later than the end of the period of 5 years beginning with the day on which the first regulations are made under this section, and
  - (b) no later than the end of the period of 5 years beginning with the last review of the provision made by the regulations for the time being in force under this section.
- (11) In this section “the relevant normal pension age”, in relation to an individual and an arrangement, means the age at which the individual would be unconditionally entitled to benefits under the arrangement without any reduction on account of age (assuming that the individual were a deferred member of the pension scheme under which it is an arrangement and it were the only arrangement under the pension scheme relating to the individual).
- (12) But the Treasury may by regulations make provision for the relevant normal pension age to be the age specified in, or determined in accordance with, the regulations in cases of such descriptions as are specified in the regulations.
- (13) The Treasury may by regulations make provision modifying the operation of sections 213H to 213K in relation to cases where the relevant normal pension age in relation to an individual and an arrangement is not the same in relation to all the rights or benefits under the arrangement.

### **213M Uprating of opening rights, pension and lump sum**

- (1) This section applies for uprating UOR under section 213H and UOP and UOLS under section 213J.
- (2) Each is to be increased by the appropriate percentage.
- (3) The appropriate percentage for a tax year is the percentage arrived at for the tax year in accordance with provision made by order made by the Treasury.
- (4) An order under subsection (3)—
  - (a) must make provision for securing that the appropriate percentage for a tax year reflects any decrease in the value of money over a specified period, and
  - (b) may do so by reference to any movement in a specified index, or an average of any movements in specified indices, over a specified period.
- (5) If an order is made under subsection (3) which amends any provision included in an order by virtue of subsection (4)(b), the Treasury must as soon as reasonably practicable after the making of the order carry out a review of the provision made by the regulations for the time being in force under section 213L(1).

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### **213N Hybrid arrangements**

- (1) The pension savings amount in respect of a hybrid arrangement is the greater or greatest of such of amounts A, B and C as are relevant amounts.
- (2) An amount is a relevant amount in the case of a hybrid arrangement if, in any circumstances, the benefits that may be provided to or in respect of the individual under the arrangement may be benefits of the variety mentioned in the definition of that amount.
- (3) Amount A is what would be the pension savings amount under section 213G if the benefits provided to or in respect of the individual under the arrangement were money purchase benefits other than cash balance benefits.
- (4) Amount B is what would be the pension savings amount under section 213H if the benefits provided to or in respect of the individual under the arrangement were cash balance benefits.
- (5) Amount C is what would be the pension savings amount under section 213J if the benefits provided to or in respect of the individual under the arrangement were defined benefits.

### **213O Anti-avoidance**

- (1) This section applies if a high income excess relief charge scheme applies in the case of the individual for the tax year.
- (2) A scheme is a high income excess relief charge scheme if in the case of the individual for the tax year conditions A to C are met.
- (3) Condition A is that it is reasonable to assume that the main purpose, or one of the main purposes, of the scheme is to avoid the whole or any part of the liability of the individual to the high income excess relief charge for the tax year.
- (4) Condition B is that the scheme involves either or both of the following—
  - (a) reducing the individual's gross income or relevant income for the tax year, and
  - (b) reducing the total pension savings amount in the case of the individual for the tax year.
- (5) Condition C is that the scheme involves the reduction, or any of the reductions, being redressed by—
  - (a) an increase in the individual's gross income or relevant income, or the total pension savings amount in the case of the individual, for a different tax year, or
  - (b) the provision at any time of some other benefit to or for the benefit of the individual or any person who is a dependant of, or is connected with, the individual.
- (6) The individual is to be treated for the purposes of the high income excess relief charge as if—
  - (a) the individual's gross income and relevant income for the tax year, and
  - (b) the total pension savings amount in the case of the individual for the tax year, were what they would be apart from the scheme.
- (7) In this section “scheme” includes any arrangement, agreement, understanding, transaction or series of transactions (whether or not legally enforceable).

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- (8) Section 993 of ITA 2007 (meaning of “connected” persons) applies for the purposes of subsection (5).

### **213P Power to make regulations about charge**

- (1) The Treasury may by regulations make provision about the high income excess relief charge.
- (2) The provision may include modifications of any provision made in sections 213A to 213O.
- (3) The provision may include provision consequential on, or supplementary or incidental to, the provision made by those sections and transitional provisions (including provision making modifications of enactments).
- (4) The provision may not include provision increasing any person's liability to tax.
- (5) “Modifications” includes amendments.]

### *Lifetime allowance charge*

### **214 Lifetime allowance charge**

- (1) A charge to income tax, to be known as the lifetime allowance charge, arises where—
  - (a) a benefit crystallisation event occurs in relation to an individual who is a member of one or more registered pension schemes, and
  - (b) either the first lifetime allowance charge condition or the second lifetime allowance charge condition is met.
- (2) The first lifetime allowance charge condition is that—
  - (a) the whole or any part of the individual's lifetime allowance is available on the benefit crystallisation event, but
  - (b) the amount crystallised by the benefit crystallisation event exceeds the amount of the individual's lifetime allowance which is available on the benefit crystallisation event.
- (3) The second lifetime allowance charge condition is that none of the individual's lifetime allowance is available on the benefit crystallisation event.
- (4) The following sections make further provision about the lifetime allowance charge—
  - section 215 (amount of charge),
  - section 216 and Schedule 32 (benefit crystallisation events and amounts crystallised),
  - section 217 (persons liable to charge),
  - section 218 (individual's lifetime allowance and standard lifetime allowance),
  - section 219 (availability of individual's lifetime allowance), and
  - sections 220 to 226 (lifetime allowance enhancement factors).
- (5) In sections 215 to 219—
  - (a) references to “the individual”, in relation to the lifetime allowance charge, are to the individual in relation to whom the benefit crystallisation event giving rise to the charge occurs, and

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- (b) references to “the pension scheme”, in relation to the lifetime allowance charge, are to the pension scheme to which the benefit crystallisation event giving rise to the charge, or the amount crystallised by it, relates.
- (6) Schedule 36 contains (in Part 2) transitional provision about the lifetime allowance charge.

#### **Modifications etc. (not altering text)**

- C68** Ss. 214-226 applied by 2003 c. 1, s. 636A(5) (as inserted (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), [Sch. 31 para. 11](#) (with [Sch. 36](#)))
- C69** Ss. 214-226 applied (with modifications) (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\)](#), regs. 1(1), [5-11](#)
- C70** S. 214 modified (1.4.2012) by [The Postal Services Act 2011 \(Taxation\) Regulations 2012 \(S.I. 2012/764\)](#), regs. 1(1), [24](#); [S.I. 2012/687](#); [S.I. 2012/688](#); [S.I. 2012/966](#)

#### **Commencement Information**

- I67** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## **215 Amount of charge**

- (1) The lifetime allowance charge is a charge in respect of the chargeable amount.
- (2) The lifetime allowance charge is a charge—
- (a) at the rate of 55% in respect of so much (if any) of the chargeable amount as constitutes the lump-sum amount, and
  - (b) at the rate of 25% in respect of so much (if any) of the chargeable amount as constitutes the retained amount.
- [<sup>F479</sup>(2A) The Treasury may by order amend subsection (2) so as to vary the rates of the lifetime allowance charge.
- (2B) An order under subsection (2A) may make provision for there to be different rates in different circumstances.]
- (3) The “chargeable amount” is the aggregate of—
- (a) the basic amount, and
  - (b) any amount which is treated as forming part of the lump-sum amount under subsection (6) or of the retained amount under subsection (8).
- (4) The “basic amount”—
- (a) if the first lifetime allowance [<sup>F480</sup>charge] condition is met, is the amount by which the amount crystallised by the benefit crystallisation event exceeds the amount of the individual’s lifetime allowance available on it, and
  - (b) if the second lifetime allowance charge condition is met, is the amount crystallised by the benefit crystallisation event.
- (5) The “lump-sum amount” is the aggregate of—
- (a) so much of the basic amount as is paid as a lump sum to the individual or a lump sum death benefit in respect of the individual, and
  - (b) any amount which is treated as forming part of the lump-sum amount under subsection (6).

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- (6) If and to the extent that the tax payable under this section on any of the lump-sum amount is covered by a scheme-funded tax payment, it is to be treated as itself forming part of the lump-sum amount.
- (7) The “retained amount” is the aggregate of—
- (a) so much of the basic amount as is not paid as a lump sum to the individual or a lump sum death benefit in respect of the individual, and
  - (b) any amount which is treated as forming part of the retained amount under subsection (8).
- (8) If and to the extent that the tax payable under this section on any of the retained amount is covered by a scheme-funded tax payment, it is to be treated as itself forming part of the retained amount.
- (9) An amount of tax payable under this section is “covered by a scheme-funded tax payment” if—
- (a) the tax is paid by the scheme administrator, <sup>F481</sup> ...
  - <sup>F481</sup>(b) .....
- <sup>F482</sup>(10) .....
- (11) The chargeable amount is not to be treated as income for any purpose of the Tax Acts.

#### Textual Amendments

- F479** S. 215(2A)(2B) inserted (with effect in accordance with Sch. 2 para. 25 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), **Sch. 2 para. 14**
- F480** Word in s. 215(4)(a) inserted (21.7.2008) by [Finance Act 2008 \(c. 9\)](#), **Sch. 29 para. 15**
- F481** S. 215(9)(b) and word repealed (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), Sch. 10 paras. 41(a), 64(1), **Sch. 11 Pt. 4**
- F482** S. 215(10) repealed (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), Sch. 10 paras. 41(b), 64(1), **Sch. 11 Pt. 4**

#### Modifications etc. (not altering text)

- C68** Ss. 214-226 applied by 2003 c. 1, s. 636A(5) (as inserted (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), **Sch. 31 para. 11** (with [Sch. 36](#)))
- C69** Ss. 214-226 applied (with modifications) (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\)](#), regs. 1(1), **5-11**
- C71** S. 215(9) modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), **Sch. 3 Pt. 1**

#### Commencement Information

- I68** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 216 Benefit crystallisation events and amounts crystallised

- (1) This table sets out—
- (a) the events which are benefit crystallisation events in relation to the individual, and
  - (b) the amount which is crystallised by each of those events.

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### **BENEFIT CRYSTALLISATION EVENTS**

### **AMOUNT CRYSTALLISED**

1. The designation of sums or assets held for the purposes of a money purchase arrangement under any of the relevant pension schemes as available for the payment of [ <sup>F483</sup> drawdown pension] to the individual	The aggregate of the amount of the sums and the market value of the assets designated
2. The individual becoming entitled to a scheme pension under any of the relevant pension schemes	$RVF \times P$
3. The individual, having become so entitled, becoming entitled to payment of the scheme pension, otherwise than in excepted circumstances, at an increased annual rate which [ <sup>F484</sup> — (a) exceeds the threshold annual rate, and (b)] exceeds by more than the permitted margin the rate at which it was payable on the day on which the individual became entitled to it	$RVF \times XP$
4. The individual becoming entitled to a lifetime annuity purchased under a money purchase arrangement under any of the relevant pension schemes	The aggregate of the amount of such of the sums, and the market value of such of the assets, representing the individual's rights under the arrangement as are applied to purchase the lifetime annuity [ <sup>F485</sup> and any related dependants' annuity][ <sup>F486</sup> and any related nominees' annuity]
5. The individual reaching the age of 75 when prospectively entitled to a scheme pension or a lump sum (or both) under a defined benefits arrangement under any of the relevant pension schemes	$(RVF \times DP) + DSLS$
[ <sup>F487</sup> 5A. The individual reaching the age of 75 having designated sums or assets held for the purposes of a money purchase arrangement under any of the relevant pension schemes as available for the payment of [ <sup>F488</sup> drawdown pension] to the individual	The aggregate of the amount of the sums and the market value of the assets representing the [ <sup>F489</sup> individual's drawdown pension fund] under the arrangement [ <sup>F490</sup> (if any)], plus the aggregate of the amount of the sums and the market value of the assets representing the individual's flexi-access drawdown fund under the arrangement (if any),] less the aggregate of amounts crystallised by benefit crystallisation



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	event 1 in relation to the arrangement and the individual]
[ <sup>F491</sup> 5B. The individual reaching the age of 75 when there is a money purchase arrangement relating to the individual under any of the relevant pension schemes	The amount of any remaining unused funds]
[ <sup>F492</sup> 5C. The designation, on or after 6 April 2015 but before the end of the relevant two-year period, of relevant unused uncrystallised funds as available for the payment, to a dependant or nominee of the individual, of (as the case may be) dependants' flexi-access drawdown pension or nominees' flexi-access drawdown pension	The aggregate of the amount of the sums and the market value of the assets designated]
[ <sup>F493</sup> 5D. A person becoming entitled, on or after 6 April 2015 but before the end of the relevant two-year period, to a dependants' annuity or nominees' annuity in respect of the individual if— (a) the annuity is purchased using (whether or not exclusively) relevant unused uncrystallised funds, and (b) the individual died on or after 3 December 2014	The aggregate of— (a) the amount of such of the sums, and (b) the market value of such of the assets, applied to purchase the annuity as are relevant unused uncrystallised funds]
6. The individual becoming entitled to a relevant lump sum under any of the relevant pension schemes	The amount of the lump sum [ <sup>F494</sup> paid to the individual]
7. A person being paid a relevant lump sum death benefit in respect of the individual under any of the relevant pension schemes	The amount of the lump sum death benefit
8. The transfer of sums or assets held for the purposes of, or representing accrued rights under, any of the relevant pension schemes so as to become held for the purposes of or to represent rights under a qualifying recognised overseas pension scheme in connection with the individual's membership of that pension scheme	The aggregate of the amount of any sums transferred and the market value of any assets transferred
[ <sup>F495</sup> 9. If regulations under section 164(1)(f) so provide, the happening of an event prescribed in the regulations in relation to a payment prescribed in the regulations	An amount determined in accordance with the regulations]

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(2) Schedule 32 gives the meaning of expressions used in the table in subsection (1).

### Textual Amendments

- F483** Words in s. 216(1) substituted (with effect in accordance with Sch. 16 paras. 85, 104(1) of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 73(2)**
- F484** Words in s. 216(1) inserted (retrospective to 6.4.2006) by [Finance Act 2008 \(c. 9\)](#), **Sch. 29 paras. 5, 12(3)**
- F485** Words in s. 216(1) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), **Sch. 10 paras. 31, 64(1)**
- F486** Words in s. 216(1) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), **Sch. 4 para. 4(2)**
- F487** Words in s. 216(1) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), **Sch. 23 para. 30**
- F488** Words in s. 216(1) substituted (with effect in accordance with Sch. 16 paras. 85, 104(1) of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 73(3)(a)**
- F489** Words in s. 216(1) substituted (with effect in accordance with Sch. 16 paras. 85, 104(1) of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 73(3)(b)**
- F490** Words in s. 216(1) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 16**
- F491** Words in s. 216(1) inserted (with effect in accordance with Sch. 16 paras. 85, 104(1) of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 43**
- F492** Words in s. 216(1) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 2 para. 21**
- F493** Words in s. 216(1) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), **Sch. 4 para. 4(3)**
- F494** Words in s. 216(1) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), **Sch. 10 paras. 42, 64(1)**
- F495** Words in s. 216 inserted (21.7.2008) by [Finance Act 2008 \(c. 9\)](#), **Sch. 29 para. 1(3)**

### Modifications etc. (not altering text)

- C68** Ss. 214-226 applied by 2003 c. 1, s. 636A(5) (as inserted (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), **Sch. 31 para. 11** (with [Sch. 36](#)))
- C69** Ss. 214-226 applied (with modifications) (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\)](#), regs. 1(1), **5-11**
- C72** S. 216 applied (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, **23(4)**
- C73** S. 216 modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), **29(1)(2)(5)**
- C74** S. 216 modified by S.I. 2006/572, art. 29A (as inserted (with effect in accordance with art. 1 of the amending S.I.) by [The Taxation of Pension Schemes \(Transitional Provisions\) \(Amendment\) Order 2006 \(S.I. 2006/1962\)](#), arts. 1, **3(3)**)
- C75** S. 216 modified (27.7.2010) by [Finance \(No. 2\) Act 2010 \(c. 31\)](#), **Sch. 3 para. 6(1)**
- C76** S. 216 modified (1.4.2015) by [The Police Pensions \(Consequential Provisions\) Regulations 2015 \(S.I. 2015/370\)](#), regs. 1(2), **14(2)(3)**
- C77** S. 216 modified (1.4.2015) by [The Armed Forces Pension \(Consequential Provisions\) Regulations 2015 \(S.I. 2015/390\)](#), regs. 1(2), **14(2)** (with reg. 14(1))
- C78** S. 216 modified (1.4.2015) by [The Firefighters' Pension Scheme \(England\) \(Consequential Provisions\) Regulations 2015 \(S.I. 2015/319\)](#), regs. 1(2), **13(2)(3)**
- C79** S. 216 applied (with modifications) (N.I.) (1.4.2015) by [The Firefighters' Pension Scheme \(Consequential Provisions\) Regulations \(Northern Ireland\) 2015 \(S.R. 2015/166\)](#), regs. 1, **12(2)**
- C80** S. 216 modified (1.4.2015) by [The Teachers' Pension Scheme \(Consequential Provisions\) \(Scotland\) Regulations 2015 \(S.S.I. 2015/146\)](#), regs. 1(2), **14(2)(3)** (with reg. 14(1))
- C81** S. 216 modified (1.4.2015) by [The Public Service \(Civil Servants and Others\) Pensions \(Consequential and Amendment\) Regulations 2015 \(S.I. 2015/372\)](#), regs. 1(2), **14(2)(3)**
- C82** S. 216 modified (1.4.2015) by [The National Health Service Pension Scheme \(Consequential Provisions\) \(Scotland\) Regulations 2015 \(S.S.I. 2015/145\)](#), regs. 1(2), **14(2)(3)** (with reg. 14(1))

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- C83** S. 216 applied (with modifications) (N.I.) (1.4.2015) by The Teachers' Pension Scheme (Consequential Provisions) Regulations (Northern Ireland) 2015 (S.R. 2015/170), regs. 1, **13(2)**
- C84** S. 216 applied (with modifications) (1.4.2015) by The National Health Service Pension Scheme (Consequential Provisions) Regulations 2015 (S.I. 2015/432), regs. 1(2), **14(3)**
- C85** S. 216 modified (S.) (1.4.2015) by The Police Pensions (Consequential Provisions) (Scotland) Regulations 2015 (S.S.I. 2015/118), regs. 1(3), **14(2)(3)** (with reg. 14(1))
- C86** S. 216 applied (with modifications) (N.I.) (1.4.2015) by The Health Service Workers (Consequential Provisions) Regulations (Northern Ireland) 2015 (S.R. 2015/167), regs. 1, **13(2)**
- C87** S. 216 applied (with modifications) (N.I.) (1.4.2015) by The Public Service (Civil Servants and Others) Pensions (Consequential Provisions) Regulations (Northern Ireland) 2015 (S.R. 2015/81), regs. 1(1), **13(2)**
- C88** S. 216 applied (with modifications) (N.I.) (1.4.2015) by The Police Pensions (Consequential Provisions) Regulations (Northern Ireland) 2015 (S.R. 2015/156), regs. 1(2), **13(2)**
- C89** S. 216 modified (1.4.2015) by The Teachers' Pension Scheme (Consequential Provisions) Regulations 2015 (S.I. 2015/436), regs. 1(2), **14(2)(3)** (with reg. 14(1))
- C90** S. 216 modified (S.) (1.4.2015) by The Firefighters' Pension Scheme (Consequential Provisions) (Scotland) Regulations 2015 (S.S.I. 2015/117), regs. 1(3), **13(2)(3)** (with reg. 13(1))
- C91** S. 216 modified (W.) (1.4.2015) by The Firefighters Pension Scheme (Wales) (Consequential Provisions) Regulations 2015 (S.I. 2015/848), regs. 1(2), **13(2)(3)** (with reg. 13(1))

#### Commencement Information

- I69** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 217 Persons liable to charge

- (1) The persons liable to the lifetime allowance charge are—
- the individual, and
  - the scheme administrator of the pension scheme,
- and their liability is joint and several.

[<sup>F496</sup>(1A) Subsection (1) is subject to subsections (2) and (2A).]

- (2) [<sup>F497</sup>Where] the liability arises by reason of the payment of a relevant lump sum death benefit it is a liability of the person to whom the lump sum death benefit is paid.

[<sup>F498</sup>(2A) Where the liability arises by reason of a designation mentioned in the description of benefit crystallisation event 5C, [<sup>F499</sup>or by reason of a person becoming entitled to an annuity as mentioned in the description of benefit crystallisation event 5D,] it is a liability of the dependant or nominee (as the case may be).]

[<sup>F500</sup>(3) Subsection (4) applies if—

- two or more relevant post-death benefit crystallisation events occur in respect of an individual, and
- tax is not chargeable on the whole of the total of the amounts crystallised by them.

- (4) The person liable under subsection (2) or (2A) to the lifetime allowance charge charged by reason of the occurrence of any one of the relevant post-death benefit crystallisation events is liable to such portion of the total amount of the tax payable by reason of the relevant post-death benefit crystallisation events having occurred as appears to an officer of Revenue and Customs to be just and reasonable.

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- (4A) For the purposes of subsections (3) and (4), a benefit crystallisation event is a “relevant post-death benefit crystallisation event” if it is benefit crystallisation event 5C [<sup>F501</sup>, 5D] or 7.]
- (5) A person is liable to the lifetime allowance charge whether or not—
- (a) that person,
  - (b) any other person who is liable to the lifetime allowance charge, and
  - (c) the scheme administrator (if not so liable),
- are resident<sup>F502</sup> ... or domiciled in the United Kingdom.

#### Textual Amendments

- F496** S. 217(1A) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 22\(2\)](#)
- F497** Word in s. 217(2) substituted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 22\(3\)](#)
- F498** S. 217(2A) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 22\(4\)](#)
- F499** Words in s. 217(2A) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 4 para. 5\(2\)](#)
- F500** S. 217(3)-(4A) substituted for s. 217(3)(4) (6.4.2015) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 22\(5\)\(6\)](#)
- F501** Word in s. 217(4A) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 4 para. 5\(3\)](#)
- F502** Words in s. 217(5) omitted (with effect in accordance with [Sch. 46 para. 132](#) of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 46 para. 127](#)

#### Modifications etc. (not altering text)

- C68** Ss. 214-226 applied by 2003 c. 1, s. 636A(5) (as inserted (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), [Sch. 31 para. 11](#) (with [Sch. 36](#)))
- C69** Ss. 214-226 applied (with modifications) (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\)](#), regs. 1(1), [5-11](#)
- C92** S. 217 modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), [Sch. 3 Pt. 1](#)

#### Commencement Information

- I70** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 218 Individual’s lifetime allowance and standard lifetime allowance

- (1) Subject as follows, the individual’s lifetime allowance is the standard lifetime allowance.
- [<sup>F503</sup>(2) The standard lifetime allowance for the tax years 2016-17 and 2017-18 is £1,000,000.
- (2A) The standard lifetime allowance for any later tax year (“the subsequent tax year”) is the same as the standard lifetime allowance for the tax year immediately preceding the subsequent tax year, unless subsection (2C) provides for it to be higher.
- (2B) Subsection (2C) applies if—
- (a) the consumer prices index for the month of September in any tax year (“the prior tax year”) is higher than it was for the previous September, and
  - (b) the prior tax year is the tax year 2017-18 or a later tax year.

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- (2C) The standard lifetime allowance for the tax year following the prior tax year is the standard lifetime allowance for the prior tax year—
- (a) increased by the percentage increase in the index, and
  - (b) if the result is not a multiple of £100, rounded up to the nearest amount which is such a multiple.
- (2D) The Treasury must before the tax year 2018-19, and before each subsequent tax year, make regulations specifying the amount given by subsections (2A) to (2C) as the standard lifetime allowance for the tax year concerned.]
- (4) Where one or more lifetime allowance enhancement factors operate in relation to a benefit crystallisation event occurring in relation to the individual, the individual's lifetime allowance at the time of the benefit crystallisation event is—

$$SLA + (SLA \times LAEF)$$

where—

SLA is the standard lifetime allowance at the time of the benefit crystallisation event, and

LAEF is the lifetime allowance enhancement factor which operates with respect to the benefit crystallisation event and the individual or (where more than one so operates) the aggregate of them.

- (5) The following make provision for the operation of lifetime allowance enhancement factors—
- section 220 (pension credits from previously crystallised rights),
  - sections 221 to 223 (individuals who are not always relevant UK individuals),
  - sections 224 to 226 (transfers from recognised overseas pension schemes),
  - paragraphs 7 to 11 of Schedule 36 (primary protection), and
  - paragraph 18 of that Schedule (pre-commencement pension credits).
- [<sup>F504</sup>(5A) Where the operation of a lifetime allowance enhancement factor is provided for by any of sections 220, 222, 223 and 224 and the time mentioned in the definition of SLA in the section concerned was before 6 April 2012, subsection (4) has effect as if the amount to be multiplied by LAEF were £1,800,000 (the standard lifetime allowance for the tax year 2011-12) if that is greater than SLA.
- (5B) Where the operation of a lifetime allowance enhancement factor is provided for by paragraph 7 of Schedule 36, subsection (4) has effect as if SLA were £1,800,000 (the standard lifetime allowance for the tax year 2011-12) if that is greater than SLA.
- [<sup>F505</sup>(5BA) Where the operation of a lifetime allowance enhancement factor is provided for by any of sections 220, 222, 223 and 224 and the time mentioned in the definition of SLA in the section concerned fell within the period consisting of the tax year 2012-13 and the tax year 2013-14, subsection (4) has effect as if the amount to be multiplied by LAEF were £1,500,000 if that is greater than SLA.
- (5BB) Where more than one lifetime allowance enhancement factor operates, subsection (5BA) does not apply if subsection (5A) or (5B) applies.]

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[ Where the operation of a lifetime allowance enhancement factor is provided for by <sup>F506</sup>(5BC) any of sections 220, 222, 223 and 224 and the time mentioned in the definition of SLA in the section concerned fell within the period consisting of the tax year 2014-15 and the tax year 2015-16, subsection (4) has effect as if the amount to be multiplied by LAEF were £1,250,000 if that is greater than SLA.

(5BD) Where more than one lifetime allowance enhancement factor operates, subsection (5BC) does not apply if any of subsections (5A), (5B) and (5BA) applies.]

(5C) Where benefit crystallisation event 7 occurs on or after 6 April 2012 by reason of the payment of a relevant lump sum death benefit in respect of the death of the individual before that date, the standard lifetime allowance at the time of the benefit crystallisation event is £1,800,000 (the standard lifetime allowance for the tax year 2011-12).]

[<sup>F507</sup>(5D) Where benefit crystallisation event 7 occurs on or after 6 April 2014 by reason of the payment of a relevant lump sum death benefit in respect of the death of the individual during the period consisting of the tax year 2012-13 and the tax year 2013-14, the standard lifetime allowance at the time of the benefit crystallisation event is £1,500,000.]

[<sup>F508</sup>(5E) Where benefit crystallisation event 7 occurs on or after 6 April 2016 by reason of the payment of a relevant lump sum death benefit in respect of the death of the individual during the period consisting of the tax year 2014-15 and the tax year 2015-16, the standard lifetime allowance at the time of the benefit crystallisation event is £1,250,000.]

[<sup>F509</sup>(5F) Where—

(a) benefit crystallisation event 5C occurs by reason of the designation on or after 6 April 2015 of sums or assets held for the purposes of an arrangement relating to the individual, and

(b) the individual died before 6 April 2012,

the standard lifetime allowance at the time of the benefit crystallisation event is £1,800,000.

(5G) Where—

(a) benefit crystallisation event 5C occurs by reason of the designation on or after 6 April 2015 of sums or assets held for the purposes of an arrangement relating to the individual, and

(b) the individual died in the period consisting of the tax year 2012-13 and the tax year 2013-14,

the standard lifetime allowance at the time of the benefit crystallisation event is £1,500,000.

(5H) Where—

(a) benefit crystallisation event 5C occurs by reason of the designation on or after 6 April 2016 of sums or assets held for the purposes of an arrangement relating to the individual, and

(b) the individual died in the period consisting of the tax year 2014-15 and the tax year 2015-16,

the standard lifetime allowance at the time of the benefit crystallisation event is £1,250,000.

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- (5I) Where—
- (a) benefit crystallisation event 5D occurs by reason of a person becoming entitled on or after 6 April 2016 to an annuity in respect of the individual, and
  - (b) the individual died in the period beginning with 3 December 2014 and ending with 5 April 2016,
- the standard lifetime allowance at the time of the benefit crystallisation event is £1,250,000.]
- (6) Paragraph 19 of that Schedule makes provision for the reduction of what would otherwise be the individual's lifetime allowance in certain cases where the individual is permitted to take pension before normal minimum pension age.
- (7) In this Part references (however expressed) to a person's lifetime allowance at any time are to what would be the person's lifetime allowance, calculated in accordance with this section, if a benefit crystallisation event occurred in relation to the person at that time.

#### Textual Amendments

- F503** S. 218(2)-(2D) substituted for s. 218(2)(3) (with effect in accordance with s. 19(8) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 19\(2\)](#)
- F504** S. 218(5A)-(5C) inserted (with effect in accordance with Sch. 18 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\), Sch. 18 para. 2\(3\)](#)
- F505** S. 218(5BA)(5BB) inserted (with effect in accordance with Sch. 22 para. 6(4) of the amending Act) by [Finance Act 2013 \(c. 29\), Sch. 22 para. 6\(2\)](#)
- F506** S. 218(5BC)(5BD) inserted (with effect in accordance with s. 19(8) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 19\(3\)](#)
- F507** S. 218(5D) inserted (with effect in accordance with Sch. 22 para. 6(4) of the amending Act) by [Finance Act 2013 \(c. 29\), Sch. 22 para. 6\(3\)](#)
- F508** S. 218(5E) inserted (with effect in accordance with s. 19(8) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 19\(4\)](#)
- F509** S. 218(5F)-(5I) inserted (6.4.2015 retrospectively for specified purposes and at 6.4.2016 retrospectively in so far as not already in force in accordance with s. 19(9)) by [Finance Act 2016 \(c. 24\), s. 19\(5\)](#)

#### Modifications etc. (not altering text)

- C68** Ss. 214-226 applied by 2003 c. 1, s. 636A(5) (as inserted (6.4.2006) by [Finance Act 2004 \(c. 12\), s. 284\(1\), Sch. 31 para. 11](#) (with [Sch. 36](#)))
- C69** Ss. 214-226 applied (with modifications) (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\), regs. 1\(1\), 5-11](#)
- C93** S. 218 applied (1.6.2018) by [The Local Government Pension Scheme \(Scotland\) Regulations 2018 \(S.S.I. 2018/141\), regs. 1\(1\), 48\(2\)](#)

#### Commencement Information

- I71** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

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## 219 Availability of individual's lifetime allowance

- (1) This section is about the availability of the individual's lifetime allowance on the occurrence of a benefit crystallisation event in relation to the individual ("the current benefit crystallisation event").
  - (2) If no benefit crystallisation event has occurred in relation to the individual before the current benefit crystallisation event, the whole of the individual's lifetime allowance is available on the current benefit crystallisation event.
  - (3) If one or more benefit crystallisation events have occurred in relation to the individual before the current benefit crystallisation event—
    - (a) in a case in which the previously-used amount is equal to or greater than the amount of the individual's lifetime allowance, none of the individual's lifetime allowance is available on the current benefit crystallisation event, and
    - (b) in any other case, so much of the individual's lifetime allowance as is left after deducting the previously-used amount is available on the current benefit crystallisation event.
  - (4) The previously-used amount is—
    - (a) where one benefit crystallisation event has occurred in relation to the individual before the current benefit crystallisation event, the amount [<sup>F510</sup>which is the relevant untaxed amount in relation to] the previous benefit crystallisation event as adjusted under subsection (5), or
    - (b) where two or more benefit crystallisation events have occurred in relation to the individual before the current benefit crystallisation event, the aggregate of the amounts [<sup>F511</sup>which are the relevant untaxed amounts in relation to] each previous benefit crystallisation event as adjusted under subsection (5).
- [<sup>F512</sup>(4A) "The relevant untaxed amount", in relation to a previous benefit crystallisation event, is—
- (a) where no tax was charged in relation to the benefit crystallisation event, the amount in respect of which tax would have been so charged if none of the individual's lifetime allowance had been available, and
  - (b) where tax was charged in relation to the benefit crystallisation event, so much of the amount in respect of which tax would have been so charged if none of the individual's lifetime allowance had been available as exceeds the amount in respect of which tax was so charged.]
- (5) The adjustment of the [<sup>F513</sup>relevant untaxed amount in relation to] a previous benefit crystallisation event referred to in subsection (4)(a) and (b) is the multiplication of that amount by—

$$\frac{\text{CSLA}}{\text{PSLA}}$$

where—

CSLA is the standard lifetime allowance at the time of the current benefit crystallisation event, and

PSLA is the standard lifetime allowance at the time of the previous benefit crystallisation event.



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- [<sup>F514</sup>(5A) If paragraph 7 of Schedule 36 (primary protection) makes provision for a lifetime allowance enhancement factor in relation to the individual, subsection (5) has effect [<sup>F515</sup>where the previous benefit crystallisation event occurred before 6 April 2014] as if CSLA were £1,500,000 if that is greater than CSLA.]
- (6) Where more than one benefit crystallisation event occurs in relation to an individual on the same day, it is for the individual to decide the order in which they are to be treated as occurring for the purposes of this section; but this subsection is subject to section 166(2) (entitlement to pension commencement lump sum to arise immediately before entitlement to associated pension).
- (7) Where more than one [<sup>F516</sup>relevant post-death] benefit crystallisation event occurs [<sup>F517</sup>... in respect of an [<sup>F518</sup>individual, the relevant post-death] benefit crystallisation events are to be treated for the purposes of this section as occurring immediately before the individual's death [<sup>F519</sup>but immediately after any benefit crystallisation event occurring immediately before the individual's death by virtue of section 166(2)].
- [<sup>F520</sup>(7A) For the purposes of subsection (7), a benefit crystallisation event is a “relevant post-death benefit crystallisation event” if it is benefit crystallisation event 5C [<sup>F521</sup>, 5D] or 7.]
- (8) Paragraph 20 of Schedule 36 makes provision affecting this section in relation to pre-commencement pensions.
- (9) In this Part references (however expressed) to the portion of a person's lifetime allowance that is available at any time are to the portion of the person's lifetime allowance that would be available, calculated in accordance with this section, if a benefit crystallisation event occurred in relation to the person at that time.

#### Textual Amendments

- F510** Words in s. 219(4)(a) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 31\(2\)\(a\)](#)
- F511** Words in s. 219(4)(b) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 31\(2\)\(b\)](#)
- F512** S. 219(4A) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 31\(3\)](#)
- F513** Words in s. 219(5) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 31\(4\)](#)
- F514** S. 219(5A) inserted (with effect in accordance with Sch. 22 para. 7(2) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 22 para. 7\(1\)](#)
- F515** Words in s. 219(5A) inserted (6.4.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 6 para. 10\(1\)\(2\)](#)
- F516** Words in s. 219(7) inserted (6.4.2015) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 23\(2\)\(a\)\(4\)](#)
- F517** Words in s. 219(7) omitted (6.4.2015) by virtue of [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 23\(2\)\(b\)\(4\)](#)
- F518** Words in s. 219(7) substituted (6.4.2015) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 23\(2\)\(c\)\(4\)](#)
- F519** Words in s. 219(7) inserted (retrospective to 6.4.2006) by [Finance Act 2007 \(c. 11\)](#), [Sch. 20 paras. 10, 24\(3\)](#)
- F520** S. 219(7A) inserted (6.4.2015) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 23\(3\)\(4\)](#)
- F521** Word in s. 219(7A) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), Sch. 4 para. 6

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#### Modifications etc. (not altering text)

- C68** Ss. 214-226 applied by 2003 c. 1, s. 636A(5) (as inserted (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), [Sch. 31 para. 11](#) (with [Sch. 36](#)))
- C69** Ss. 214-226 applied (with modifications) (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\)](#), regs. 1(1), [5-11](#)

#### Commencement Information

- I72** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 220 Pension credits from previously crystallised rights

- (1) This section makes provision for the operation of a lifetime allowance enhancement factor with respect to a benefit crystallisation event occurring in relation to an individual where—
- (a) the individual has (at any time after 5th April 2006 but before the benefit crystallisation event) acquired rights under a registered pension scheme by reason of having become entitled to a pension credit,
  - (b) the pension credit derived from the same or another registered pension scheme, and
  - (c) the rights under that registered pension scheme which became subject to the corresponding pension debit consisted of or included rights to a post-commencement pension in payment.
- (2) “Post-commencement pension in payment” means a pension to which a person became (actually) entitled on or after 6th April 2006.
- (3) The lifetime allowance enhancement factor is the pension credit factor.
- (4) The pension credit factor is—

$$\frac{\text{APC}}{\text{SLA}}$$

where—

APC is [<sup>F522</sup>the post-commencement pension in payment portion of] the amount which is the appropriate amount for the purposes of section 29(1) of WRPA 1999 or Article 26(1) of WRP(NI)O 1999 in relation to the pension credit, and

SLA is the standard lifetime allowance at the time when the rights were acquired.

- [<sup>F523</sup>(4A) The post-commencement pension in payment portion of the appropriate amount referred to in the definition of APC—
- (a) in a case where the appropriate amount is arrived at under section 29(2) or (3) (b) of WRPA 1999 or Article 26(2) or (3)(b) of WRP(NI)O 1999, is so much of that amount as is attributable to rights to a post-commencement pension in payment, and
  - (b) in a case where the appropriate amount is arrived at under section 29(3)(a) of WRPA 1999 or Article 26(3)(a) of WRP(NI)O 1999, is so much of that amount as is just and reasonable.]

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- (5) This section only applies if notice of intention to rely on it is given to the Inland Revenue in accordance with regulations made by the Board of Inland Revenue.

#### Textual Amendments

**F522** Words in s. 220(4) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 45\(2\)](#), 64(1)

**F523** S. 220(4A) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 45\(3\)](#), 64(1)

#### Modifications etc. (not altering text)

**C68** Ss. 214-226 applied by 2003 c. 1, s. 636A(5) (as inserted (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), [Sch. 31 para. 11](#) (with [Sch. 36](#)))

**C69** Ss. 214-226 applied (with modifications) (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\)](#), regs. 1(1), [5-11](#)

#### Commencement Information

**I73** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 221 Non-residence: general

- (1) This section makes provision for the operation of a lifetime allowance enhancement factor with respect to a benefit crystallisation event occurring in relation to an individual where, during any part of the period that is the active membership period in relation to an arrangement relating to the individual under a registered pension scheme, the individual is a relevant overseas individual.
- (2) Section 222 provides the lifetime allowance enhancement factor in the case of an arrangement that is a money purchase arrangement; and section 223 provides the lifetime allowance enhancement factor in the case of any other arrangement.
- (3) For the purposes of this Part an individual is a relevant overseas individual at any time if, at that time, the individual either is not a relevant UK individual or—
- is a relevant UK individual only by virtue of paragraph (c) of section 189(1) (individuals resident in UK at some time in previous five tax years), and
  - is not employed by a person resident in the United Kingdom.
- (4) In this section and sections 222 and 223 “the active membership period”, in relation to a benefit crystallisation event occurring in relation to an arrangement relating to the individual, is the period—
- beginning with the date on which the benefits first began to accrue to or in respect of the individual under the arrangement or, if later, 6th April 2006, and
  - ending immediately before the benefit crystallisation event.
- (5) But if benefits ceased to accrue to or in respect of the individual under the arrangement before the benefit crystallisation event, the active membership period is to be treated as having ended then.
- (6) This section only applies if notice of intention to rely on it is given to the Inland Revenue in accordance with regulations made by the Board of Inland Revenue.

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#### Modifications etc. (not altering text)

- C68** Ss. 214-226 applied by 2003 c. 1, s. 636A(5) (as inserted (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), [Sch. 31 para. 11](#) (with [Sch. 36](#)))
- C69** Ss. 214-226 applied (with modifications) (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\)](#), regs. 1(1), [5-11](#)

#### Commencement Information

- I74** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 222 Non-residence: money purchase arrangements

- (1) This section applies in the case of an arrangement that is a money purchase arrangement.
- (2) The lifetime allowance enhancement factor is—
  - (a) if the arrangement is a cash balance arrangement, the cash balance arrangement non-residence factor (see subsections (3) to (5)), and
  - (b) if the arrangement is any other sort of money purchase arrangement, the other money purchase arrangement non-residence factor (see subsections (6) and (7)).
- (3) The cash balance arrangement non-residence factor is—
  - (a) the factor arrived at by the application of subsection (4) in relation to the part of the active membership period during which the individual was a relevant overseas individual, or
  - (b) if there have been two or more parts of that period during which the individual was a relevant overseas individual, the aggregate of the factors arrived at by the application of subsection (4) in relation to each of those parts of that period.
- (4) The factor arrived at by the application of this subsection in relation to any part of the active membership period is—

$$\frac{CV - OV}{SLA}$$

where—

CV is the closing value of the individual's rights under the arrangement,

OV is the opening value of the individual's rights under the arrangement, and

SLA is the standard lifetime allowance at the time when that part of that period ended.

- (5) For the purposes of subsection (4)—
  - (a) the closing value of the individual's rights under the arrangement is the amount which would, on the valuation assumptions (see section 277), be available for the provision of benefits to or in respect of the individual under the arrangement if the individual became entitled to the benefits at the end of that part of that period, and

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- (b) the opening value of the individual's rights under the arrangement is the amount which would, on the valuation assumptions, be available for the provision of benefits to or in respect of the individual under the arrangement if the individual became entitled to the benefits at the beginning of that part of that period.
- (6) The other money purchase arrangement non-residence factor is—
- (a) the factor arrived at by the application of subsection (7) in relation to the part of the active membership period during which the individual was a relevant overseas individual, or
- (b) if there have been two or more parts of that period during which the individual was a relevant overseas individual, the aggregate of the factors arrived at by the application of subsection (7) in relation to each of those parts of that period.
- (7) The factor arrived at by the application of this subsection in relation to any part of the active membership period is—

$$\frac{\text{ROIC}}{\text{SLA}}$$

where—

ROIC is the amount of the contributions made under the arrangement by or in respect of the individual in any part of the active membership period during which the individual is a relevant overseas individual, and

SLA is the standard lifetime allowance at the time when that part of that period ended.

**Modifications etc. (not altering text)**

- C68** Ss. 214-226 applied by 2003 c. 1, s. 636A(5) (as inserted (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), [Sch. 31 para. 11](#) (with [Sch. 36](#)))
- C69** Ss. 214-226 applied (with modifications) (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\)](#), regs. 1(1), [5-11](#)
- C94** S. 222 modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), [12](#), [13](#)

**Commencement Information**

- I75** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

**223 Non-residence: other arrangements**

- (1) This section applies in the case of an arrangement that is not a money purchase arrangement.
- (2) The lifetime allowance enhancement factor is—
- (a) if the arrangement is a defined benefits arrangement, the defined benefits arrangement non-residence factor (see subsections (3) and (4)), and
- (b) if the arrangement is a hybrid arrangement, the hybrid arrangement non-residence factor (see subsections (5) to (7)).

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- (3) The defined benefits arrangement non-residence factor is—
- (a) the factor arrived at by the application of subsection (4) in relation to the part of the active membership period during which the individual was a relevant overseas individual, or
  - (b) if there have been two or more parts of that period during which the individual was a relevant overseas individual, the aggregate of the factors arrived at by the application of subsection (4) in relation to each of those parts of that period.
- (4) The factor arrived at by the application of this subsection in relation to any part of the active membership period is—

$$\frac{(RVF \times PE + LSE) - (RVF \times PB + LSB)}{SLA}$$

where—

RVF is the relevant valuation factor (see section 276),

PE is the amount of the annual rate of the pension which would, on the valuation assumptions (see section 277), be payable to the individual under the arrangement if the individual became entitled to payment of it at the end of that part of that period,

LSE is the amount of the lump sum to which the individual would, on the valuation assumptions, be entitled under the arrangement (otherwise than by commutation of pension) if the individual became entitled to payment of it at the end of that part of that period,

PB is the amount of the annual rate of the pension which would, on the valuation assumptions, be payable to the individual under the arrangement if the individual became entitled to payment of it at the beginning of that part of that period,

LSB is the amount of the lump sum to which the individual would, on the valuation assumptions, be entitled under the arrangement (otherwise than by commutation of pension) if the individual became entitled to payment of it at the beginning of that part of that period, and

SLA is the standard lifetime allowance at the time when that part of that period ended.

- (5) The hybrid arrangement non-residence factor is the greater or greatest of such of—
- (a) what would be the cash balance arrangement non-residence factor (under section 222) if the arrangement were a cash balance arrangement,
  - (b) what would be the other money purchase arrangement non-residence factor (under that section) if the arrangement were any other sort of money purchase arrangement, and
  - (c) what would be the defined benefits arrangement non-residence factor (under subsections (3) and (4)) if the arrangement were a defined benefits arrangement,
- as are relevant factors in relation to the arrangement.
- (6) A factor is a relevant factor in relation to a hybrid arrangement if, in any circumstances, the benefits that may be provided to or in respect of the individual under the arrangement may be benefits linked to that factor.

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- (7) For that purpose—
- (a) cash balance benefits are linked to the cash balance arrangement non-residence factor,
  - (b) other money purchase benefits are linked to the other money purchase arrangement non-residence factor, and
  - (c) defined benefits are linked to the defined benefits arrangement non-residence factor.

**Modifications etc. (not altering text)**

- C68** Ss. 214-226 applied by 2003 c. 1, s. 636A(5) (as inserted (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), [Sch. 31 para. 11](#) (with [Sch. 36](#)))
- C69** Ss. 214-226 applied (with modifications) (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\)](#), regs. 1(1), [5-11](#)
- C95** S. 223 modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), [12](#), [14](#)

**Commencement Information**

- I76** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

**224 Transfers from recognised overseas pension scheme: general**

- (1) This section makes provision for the operation of a lifetime allowance enhancement factor with respect to a benefit crystallisation event occurring in relation to an individual where (at any time after 5th April 2006 but before the benefit crystallisation event) there has been a recognised overseas scheme transfer.
- (2) There is a “recognised overseas scheme transfer” if any sums or assets—
- (a) held for the purposes of an arrangement under a recognised overseas pension scheme, or
  - (b) representing accrued rights under such an arrangement,
- are transferred so as to become held for the purposes of, or to represent rights under, an arrangement under a registered pension scheme relating to the individual.
- (3) The arrangement specified in subsection (2)(a) or (b) is referred to in this section and sections 225 and 226 as the “recognised overseas scheme arrangement”.
- (4) The lifetime allowance enhancement factor is the recognised overseas scheme transfer factor.
- (5) The recognised overseas scheme transfer factor is—

$$\frac{\text{AAT} - \text{RRA}}{\text{SLA}}$$

where—

AAT is the aggregate of the amount of any sums transferred, and the market value of any assets transferred, on the recognised overseas scheme transfer,

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RRA is the relevant relievable amount, and

SLA is the standard lifetime allowance at the time when the recognised overseas scheme transfer took place.

- (6) Section 225 specifies the relevant relievable amount in the case of a recognised overseas scheme arrangement that was a money purchase arrangement; and section 226 specifies the relevant relievable amount in the case of an recognised overseas scheme arrangement that was any other sort of arrangement.
- (7) In this section and sections 225 and 226 “overseas arrangement active membership period” is the period—
  - (a) beginning with the date on which the benefits first began to accrue to or in respect of the individual under the recognised overseas scheme arrangement or, if later, 6th April 2006, and
  - (b) ending immediately before the recognised overseas scheme transfer.
- (8) But if benefits ceased to accrue to or in respect of the individual under the recognised overseas scheme arrangement before the recognised overseas scheme transfer, the overseas arrangement active membership period is to be treated as having ended then.
- (9) This section only applies if notice of intention to rely on it is given to the Inland Revenue in accordance with regulations made by the Board of Inland Revenue.

**Modifications etc. (not altering text)**

- C68** Ss. 214-226 applied by 2003 c. 1, s. 636A(5) (as inserted (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), [Sch. 31 para. 11](#) (with [Sch. 36](#)))
- C69** Ss. 214-226 applied (with modifications) (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\)](#), regs. 1(1), [5-11](#)

**Commencement Information**

- I77** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

**225 Overseas scheme transfers: money purchase arrangements**

- (1) This section applies in the case of a recognised overseas scheme arrangement that was a money purchase arrangement.
- (2) The relevant relievable amount is—
  - (a) if the recognised overseas scheme arrangement was a cash balance arrangement, the cash balance relevant relievable amount (see subsections (3) to (5)), and
  - (b) if the recognised overseas scheme arrangement was any other sort of money purchase arrangement, the other money purchase relevant relievable amount (see subsections (6) and (7)).
- (3) The cash balance relevant relievable amount is—
  - (a) the amount arrived at by the application of subsection (4) in relation to the part of the overseas arrangement active membership period during which the individual was not a relevant overseas individual, or



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- (b) if there have been two or more parts of that period during which the individual was not a relevant overseas individual, the aggregate of the amounts arrived at by the application of subsection (4) in relation to each of those parts of that period.
- (4) The amount arrived at by the application of this subsection in relation to any part of the overseas arrangement active membership period is—

$$CV - OV$$

where—

CV is the closing value of the individual's rights under the arrangement, and

OV is the opening value of the individual's rights under the arrangement.

- (5) For the purposes of subsection (4)—
- (a) the closing value of the individual's rights under the recognised overseas scheme arrangement is the amount which would, on the valuation assumptions (see section 277), be available for the provision of benefits to or in respect of the individual under the arrangement if the individual became entitled to the benefits at the end of that part of that period, and
- (b) the opening value of the individual's rights under the arrangement is the amount which would, on the valuation assumptions, be available for the provision of benefits to or in respect of the individual under the arrangement if the individual became entitled to the benefits at the beginning of that part of that period.
- (6) The other money purchase relevant relievable amount is—
- (a) the amount arrived at by the application of subsection (7) in relation to the part of the overseas arrangement active membership period during which the individual was not a relevant overseas individual, or
- (b) if there have been two or more parts of that period during which the individual was not a relevant overseas individual, the aggregate of the amounts arrived at by the application of subsection (7) in relation to each of those parts of that period.
- (7) The amount arrived at by the application of this subsection in relation to any part of the overseas arrangement active membership period is the amount of the contributions made under the arrangement by or in respect of the individual in any part of the overseas arrangement active membership period during which the individual was not a relevant overseas individual.

**Modifications etc. (not altering text)**

**C68** Ss. 214-226 applied by 2003 c. 1, s. 636A(5) (as inserted (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), [Sch. 31 para. 11](#) (with [Sch. 36](#)))

**C69** Ss. 214-226 applied (with modifications) (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\)](#), regs. 1(1), [5-11](#)

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### **Commencement Information**

**I78** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## **226 Overseas scheme transfers: other arrangements**

- (1) This section applies in the case of a recognised overseas scheme arrangement that was not a money purchase arrangement.
- (2) The relevant relievable amount is—
  - (a) if the recognised overseas scheme arrangement was a defined benefits arrangement, the defined benefits relevant relievable amount (see subsections (3) and (4)), and
  - (b) if the recognised overseas scheme arrangement was a hybrid arrangement, the hybrid relevant relievable amount (see subsections (5) to (7)).
- (3) The defined benefits relevant relievable amount is—
  - (a) the amount arrived at by the application of subsection (4) in relation to the part of the overseas arrangement active membership period during which the individual was not a relevant overseas individual, or
  - (b) if there have been two or more parts of that period during which the individual was not a relevant overseas individual, the aggregate of the amounts arrived at by the application of subsection (4) in relation to each of those parts of that period.
- (4) The amount arrived at by the application of this subsection in relation to any part of the overseas arrangement active membership period is—

$$(RVF \times PE + LSE) - (RVF \times PB + LSB)$$

where—

RVF is the relevant valuation factor (see section 276),

PE is the annual rate of the pension which would, on the valuation assumptions (see section 277), be payable to the individual under the recognised overseas scheme arrangement if the individual became entitled to payment of it at the end of that part of that period,

LSE is the amount of the lump sum to which the individual would, on the valuation assumptions, be entitled under the arrangement (otherwise than by commutation of pension) if the individual became entitled to payment of it at the end of that part of that period,

PB is the annual rate of the pension which would, on the valuation assumptions, be payable to the individual under the arrangement if the individual became entitled to payment of it at the beginning of that part of that period, and

LSB is the amount of the lump sum to which the individual would, on the valuation assumptions, be entitled under the arrangement (otherwise than by commutation of pension) if the individual became entitled to payment of it at the beginning of that part of that period.

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- (5) The hybrid relevant relievable amount is the greater or greatest of such of—
- (a) what would be the cash balance relevant relievable amount (under section 225) if the recognised overseas scheme arrangement had been a cash balance arrangement,
  - (b) what would be the other money purchase relevant relievable amount (under that section) if that arrangement had been any other sort of money purchase arrangement, and
  - (c) what would be the defined benefits relevant relievable amount (under subsections (3) and (4)) if that arrangement had been a defined benefits arrangement,
- as are relevant to that arrangement.
- (6) An amount is relevant to a hybrid arrangement if, in any circumstances, the benefits that may be provided to or in respect of the individual under the arrangement may be benefits linked to that amount.
- (7) For that purpose—
- (a) cash balance benefits are linked to the cash balance relevant relievable amount,
  - (b) other money purchase benefits are linked to the other money purchase relevant relievable amount, and
  - (c) defined benefits are linked to the defined benefits relevant relievable amount.

**Modifications etc. (not altering text)**

**C68** Ss. 214-226 applied by 2003 c. 1, s. 636A(5) (as inserted (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), [Sch. 31 para. 11](#) (with [Sch. 36](#)))

**C69** Ss. 214-226 applied (with modifications) (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\)](#), regs. 1(1), [5-11](#)

**Commencement Information**

**I79** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

*Annual allowance charge*

**227 Annual allowance charge**

- (1) A charge to income tax, to be known as the annual allowance charge, arises [<sup>F524</sup>where an individual who is a member of one or more registered pension schemes has a [<sup>F525</sup>non-zero] chargeable amount for a tax year.]

[<sup>F526</sup>(1A) The chargeable amount <sup>F527</sup>... is to be determined in accordance with section 227ZA.]

<sup>F528</sup>(2) .....

<sup>F528</sup>(3) .....

- (4) The annual allowance charge is a charge at the [<sup>F529</sup>appropriate rate] in respect of [<sup>F530</sup>the chargeable amount.]

<sup>F531</sup> .....

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[<sup>F532</sup>(4A) The appropriate rate is—

- (a) the basic rate <sup>F533</sup>... in relation to so much (if any) of the [<sup>F534</sup>chargeable amount] as, when added to the individual's reduced net income for the tax year, does not exceed the basic rate limit for the tax year,
- (b) the higher rate <sup>F535</sup>... in relation to so much (if any) of the [<sup>F534</sup>chargeable amount] as, when so added, exceeds the basic rate limit for the tax year but does not exceed the higher rate limit for the tax year, and
- (c) the additional rate <sup>F536</sup>... in relation to so much (if any) of the [<sup>F534</sup>chargeable amount] as, when so added, exceeds the higher rate limit for the tax year.

[<sup>F537</sup>But subsection (4AA) applies in the case of a Scottish taxpayer][<sup>F538</sup>and subsection (4AB) applies in the case of a Welsh taxpayer].

[ The appropriate rate for a Scottish taxpayer is—

- <sup>F539</sup>(4AA)
- (a) where the only Scottish rate is the Scottish basic rate (the “SBR”), that rate, or
  - (b) where there is more than one Scottish rate—
    - (i) the SBR in relation to so much (if any) of the chargeable amount as, when added to the individual's reduced net income for the tax year, does not exceed the Scottish basic rate limit (“SBRL”) for the tax year,
    - (ii) the next highest rate after the SBR in relation to so much (if any) of the chargeable amount as, when so added, exceeds the SBRL for the tax year but does not exceed the rate limit for that rate for the tax year, and
    - (iii) where applicable, any other higher Scottish rate in relation to so much (if any) of the chargeable amount as, when so added, does not exceed the rate limit for that rate for the tax year.]

[ The appropriate rate for a Welsh taxpayer is—

- <sup>F540</sup>(4AB)
- (a) the Welsh basic rate in relation to so much (if any) of the chargeable amount as, when added to the individual's reduced net income for the tax year, does not exceed the basic rate limit for the tax year,
  - (b) the Welsh higher rate in relation to so much (if any) of the chargeable amount as, when so added, exceeds the basic rate limit for the tax year but does not exceed the higher rate limit for the tax year, and
  - (c) the Welsh additional rate in relation to so much (if any) of the chargeable amount as, when so added, exceeds the higher rate limit for the tax year.]

(4B) The individual's reduced net income for the tax year is the amount after taking Step 3 in section 23 of ITA 2007 in the case of the individual for the tax year.

[<sup>F541</sup>(4C) Where—

- (a) the basic rate limit,
- (b) the higher rate limit,
- (c) the Scottish basic rate limit, or
- (d) any other Scottish rate limit,

is (in accordance with section 192 of this Act or section 414 of ITA 2007) increased in the case of the individual, the references to the limit in subsections (4A) [<sup>F542</sup>, (4AA) and (4AB)] are to the limit as so increased.]]

- (5) [<sup>F543</sup>The chargeable amount] is not to be treated as income for any purpose of the Tax Acts.

<sup>F544</sup>(5A) .....

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<sup>F544</sup>(5B) .....

- (6) The following sections make further provision about the annual allowance charge—  
[<sup>F545</sup>sections 227ZA and 227B (chargeable amount),]  
[<sup>F545</sup>sections 227C to 227G (supplemental provision for calculations under section 227B),]  
section 228 (annual allowance),  
section [<sup>F546</sup>229(1)] (total pension input amount to be aggregate of pension input amounts for pension input periods ending in tax year),  
[<sup>F547</sup>section 229(2) to (4) (how to arrive at the pension input amount in respect of an arrangement),]  
sections 230 to 237 (pension input amounts),  
[<sup>F548</sup>sections 237A to 237F (persons liable to charge),] and  
section 238 (pension input period).
- (7) Schedule 36 contains (in Part 4) transitional provision about the annual allowance charge.

#### Textual Amendments

- F524** Words in s. 227(1) substituted (17.12.2014) (with effect in accordance with Sch. 1 para. 63(8) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 63\(2\)](#)
- F525** Words in s. 227(1) inserted (with effect in accordance with Sch. 4 para. 11(4) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [Sch. 4 para. 11\(2\)\(a\)](#)
- F526** S. 227(1A) inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 63(8) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 63\(3\)](#)
- F527** Words in s. 227(1A) omitted (with effect in accordance with Sch. 4 para. 11(4) of the amending Act) by virtue of [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [Sch. 4 para. 11\(2\)\(b\)](#)
- F528** S. 227(2)(3) omitted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 3\(2\)](#)
- F529** Words in s. 227(4) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 3\(3\)](#)
- F530** Words in s. 227(4) substituted (17.12.2014) (with effect in accordance with Sch. 1 para. 63(8) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 63\(4\)](#)
- F531** Words in s. 227(4) omitted (17.12.2014) (with effect in accordance with Sch. 1 para. 66(3) of the amending Act) by virtue of [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 66\(2\)\(a\)](#)
- F532** S. 227(4A)-(4C) inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 3\(4\)](#)
- F533** Words in s. 227(4A)(a) omitted (with effect in accordance with reg. 1(2) of the amending S.I.) by virtue of [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), regs. 1(1), [4\(2\)\(a\)](#)
- F534** Words in s. 227(4A) substituted (17.12.2014) (with effect in accordance with Sch. 1 para. 63(8) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 63\(5\)](#)
- F535** Words in s. 227(4A)(b) omitted (with effect in accordance with reg. 1(2) of the amending S.I.) by virtue of [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), regs. 1(1), [4\(2\)\(b\)](#)
- F536** Words in s. 227(4A)(c) omitted (with effect in accordance with reg. 1(2) of the amending S.I.) by virtue of [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), regs. 1(1), [4\(2\)\(c\)](#)

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- F537** Words in s. 227(4A) inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), regs. 1(1), **4(3)**
- F538** Words in s. 227(4A) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Devolved Income Tax Rates \(Consequential Amendments\) Order 2019 \(S.I. 2019/201\)](#), arts. 1(1), **7(2)**
- F539** S. 227(4AA) inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), regs. 1(1), **4(4)**
- F540** S. 227(4AB) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Devolved Income Tax Rates \(Consequential Amendments\) Order 2019 \(S.I. 2019/201\)](#), arts. 1(1), **7(3)**
- F541** S. 227(4C) substituted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), regs. 1(1), **4(5)**
- F542** Words in s. 227(4C) substituted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Devolved Income Tax Rates \(Consequential Amendments\) Order 2019 \(S.I. 2019/201\)](#), arts. 1(1), **7(4)**
- F543** Words in s. 227(5) substituted (17.12.2014) (with effect in accordance with Sch. 1 para. 63(8) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 63(6)**
- F544** S. 227(5A)(5B) omitted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), **Sch. 17 para. 3(5)**
- F545** Words in s. 227(6) inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 63(8) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 63(7)(a)**
- F546** Word in s. 227(6) substituted (17.12.2014) (with effect in accordance with Sch. 1 para. 63(8) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 63(7)(b)**
- F547** Words in s. 227(6) inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 63(8) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 63(7)(c)**
- F548** S. 227(6) entry inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 17 para. 3(6)**

#### Modifications etc. (not altering text)

- C96** S. 227 modified (6.4.2006) by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\) Regulations 2006 \(S.I. 2006/207\)](#), regs. 1(1), **8**
- C97** S. 227 revocation of earlier affecting provision S.I. 2006/207, reg. 8 (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Registered Pension Schemes \(Miscellaneous Amendments\) Regulations 2011 \(S.I. 2011/1751\)](#), regs. 1(1), **12(2)**
- C98** S. 227 modified (1.4.2012) by [The Postal Services Act 2011 \(Taxation\) Regulations 2012 \(S.I. 2012/764\)](#), regs. 1(1), **24**; S.I. 2012/687; S.I. 2012/688; S.I. 2012/966

#### Commencement Information

- I80** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

#### <sup>F549</sup>**227ZA The chargeable amount**

- (1) The chargeable amount is the alternative chargeable amount (see section 227B) if—
- (a) the year is—
    - (i) the tax year in which the individual first flexibly accesses pension rights (see section 227G), or
    - (ii) a tax year later than that tax year,
  - (b) the money-purchase input sub-total (see section 227C) exceeds [<sup>F550</sup>£4,000], and
  - (c) the alternative chargeable amount exceeds the default chargeable amount.
- (2) Otherwise, the chargeable amount is the default chargeable amount.

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- (3) The default chargeable amount is the amount (if any) by which—
- (a) the total pension input amount calculated in accordance with section 229(1), exceeds
  - (b) the annual allowance for the year in the case of the individual (see sections 228(1) and 228A).

[ If there is no such excess, the default chargeable amount is zero.]]  
F551(4)

#### Textual Amendments

- F549** S. 227ZA inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 64(2) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 64](#)
- F550** Word in s. 227ZA(1)(b) substituted (with effect in accordance with s. 7(5) of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [s. 7\(2\)](#)
- F551** S. 227ZA(4) inserted (with effect in accordance with Sch. 4 para. 11(4) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [Sch. 4 para. 11\(3\)](#)

#### F552 **227A** Individuals who meet flexible drawdown conditions

#### Textual Amendments

- F552** S. 227A omitted (17.12.2014) (with effect in accordance with Sch. 1 para. 66(3) of the amending Act) by virtue of [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 66\(1\)](#)

#### [F553 **227B** The alternative chargeable amount

- (1) The alternative chargeable amount is the total of—
- (a) the amount (if any) by which the defined-benefit input sub-total exceeds the alternative annual allowance, and
  - (b) the amount by which the money-purchase input sub-total exceeds [F554 £4,000].

[F555 (2) The alternative annual allowance is—

$$AA - \text{£}10,000$$

where AA is the annual allowance for the year in the case of the individual (see sections 228(1) and 228A).]

- (3) The defined-benefit input sub-total is the total of—
- (a) the pension input amounts in respect of each defined benefits arrangement relating to the individual under a registered pension scheme of which the individual is a member (see section 229(2)(c)),
  - (b) the pension input amounts in respect of each hybrid arrangement—
    - (i) relating to the individual under a registered pension scheme of which the individual is a member, and
    - (ii) in respect of which the pension input amount is input amount C mentioned in section 237, and

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- (c) any amounts required to be included by section <sup>F556</sup>... 227F(4) or (6) (pension input periods that end in the year [<sup>F557</sup>and contain] the day on which rights are first flexibly accessed <sup>F558</sup>...).
- (4) Subsection (3)(b) is subject to section 227D (pension input amounts for certain hybrid arrangements).
- (5) If, in the case of a hybrid arrangement, input amount C mentioned in section 237—
- (a) is a relevant input amount for the purposes of section 237, and
  - (b) is equal to—
    - (i) input amount A or B mentioned in section 237 if that is the only other relevant input amount for the purposes of section 237, or
    - (ii) the greater of input amounts A and B mentioned in section 237 if both are relevant input amounts for the purposes of section 237,
 the pension input amount in respect of the arrangement is, for the purposes of subsection (3)(b) and sections 227C(1)(b) and 227D(1)(c), treated as being input amount A or B or, as the case may be, the greater of input amounts A and B (and, in either case, not input amount C).

#### Textual Amendments

- F553** Ss. 227B-227G inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 65(2) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 65\(1\)](#)
- F554** Word in s. 227B(1)(b) substituted (with effect in accordance with s. 7(5) of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [s. 7\(3\)](#)
- F555** "£4,000" in s. 227B(2) formula substituted (with effect in accordance with s. 7(5) of the amending Act) for "£10,000" by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [s. 7\(3\)](#)
- F556** Words in s. 227B(3)(c) omitted (with effect in accordance with Sch. 4 para. 4(3) of the amending Act) by virtue of [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [Sch. 4 para. 4\(2\)\(a\)\(i\)](#)
- F557** Words in s. 227B(3)(c) substituted (with effect in accordance with Sch. 4 para. 4(3) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [Sch. 4 para. 4\(2\)\(a\)\(ii\)](#)
- F558** Words in s. 227B(3)(c) omitted (with effect in accordance with Sch. 4 para. 4(3) of the amending Act) by virtue of [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [Sch. 4 para. 4\(2\)\(a\)\(iii\)](#)

#### 227C Meaning of “money-purchase input sub-total”

- (1) The money-purchase input sub-total is the total of—
- (a) the pension input amounts in respect of each money purchase arrangement relating to the individual under a registered pension scheme of which the individual is a member (see section 229(2)(a) and (b)), and
  - (b) the pension input amounts in respect of each hybrid arrangement—
    - (i) relating to the individual under a registered pension scheme of which the individual is a member, and
    - (ii) in respect of which the pension input amount is input amount A or B mentioned in section 237.
- (2) Subsection (1) is to be read with—
- <sup>F559</sup>(a) .....
  - (b) section 227F(2), (3) and (5) (pension input periods that end in the tax year and contain [<sup>F560</sup>the day on which rights are first flexibly accessed]).



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- (3) Subsection (1)(b) is to be read with—
- (a) section 227B(5) (hybrid arrangements where input amount C is highest-equal input amount), and
  - (b) section 227D (pension input amounts for certain hybrid arrangements).

#### Textual Amendments

- F553** Ss. 227B-227G inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 65(2) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 65\(1\)](#)
- F559** S. 227C(2)(a) and word omitted (with effect in accordance with Sch. 4 para. 4(3) of the amending Act) by virtue of [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [Sch. 4 para. 4\(2\)\(b\)](#)
- F560** Words in s. 227C(2)(b) substituted (with effect in accordance with Sch. 4 para. 4(3) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [Sch. 4 para. 4\(2\)\(c\)](#)

### 227D Pension input amounts in respect of certain hybrid arrangements

- (1) In this section “relevant hybrid arrangement” means a hybrid arrangement—
- (a) relating to the individual under a registered pension scheme of which the individual is a member,
  - (b) made on or after 14 October 2014 or having become a hybrid arrangement (whether or not for the first time) on or after that day, and
  - (c) in respect of which the pension input amount is input amount C mentioned in section 237.
- (2) As respects each relevant hybrid arrangement in the maximising set of relevant hybrid arrangements—
- (a) the pension input amount in respect of the arrangement is for the purposes of sections 227B(3)(b) and 227C(1)(b) treated as being not input amount C mentioned in section 237 but, instead, the greater of such of input amounts A and B mentioned in section 237 as are, for the purposes of section 237, relevant input amounts in the case of the arrangement, and
  - (b) accordingly, the arrangement—
    - (i) is not to be included among the arrangements mentioned in section 227B(3)(b) whose pension input amounts are totalled under section 227B(3), but
    - (ii) is to be included among the arrangements mentioned in section 227C(1)(b) whose pension input amounts are totalled under section 227C(1).
- (3) For the purposes of subsection (2)—
- (a) the maximising set contains no relevant hybrid arrangements,
  - (b) a particular relevant hybrid arrangement makes up that set, or
  - (c) two or more particular relevant hybrid arrangements make up that set,
- if the alternative chargeable amount with the maximising set so made up is not less than it would be with the maximising set made up in any other way.
- (4) In particular, the maximising set may be identified by taking the following steps—
- Step 1* Identify all of the relevant hybrid arrangements.
- Step 2* Identify all of the different combinations of the arrangements identified at Step 1 (including the combination consisting of all of those arrangements, and the

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combination consisting of none of them, as well as every possible combination of each possible size in between).

*Step 3* For each combination identified at Step 2 calculate what the money-purchase input sub-total would be if each relevant hybrid arrangement in the combination were treated in accordance with the rules in paragraphs (a) and (b) of subsection (2).

*Step 4* If the result of each calculation at Step 3 is less than or equal to [<sup>F561</sup>£4,000] the chargeable amount is the default chargeable amount.

*Step 5* If the amount calculated at Step 3 for a combination is greater than [<sup>F561</sup>£4,000] then calculate in accordance with section 227B what the alternative chargeable amount would be if—

- (a) each relevant hybrid arrangement in the combination were treated in accordance with the rules in paragraphs (a) and (b) of subsection (2), and
- (b) for each relevant hybrid arrangement not in the combination, input amount C mentioned in section 237 were included in the total under section 227B(3).

*Step 6* Identify the highest (or higher) of the amounts calculated at Step 5. The maximising set is made up of each relevant hybrid arrangement in the combination concerned.

- (5) Subsection (1)(c) is to be read with section 227B(5) (hybrid arrangements where input amount C is highest-equal input amount).

<sup>F562</sup>(6) .....

**Textual Amendments**

**F553** Ss. 227B-227G inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 65(2) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 65\(1\)](#)

**F561** Word in s. 227D(4) substituted (with effect in accordance with s. 7(5) of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [s. 7\(4\)](#)

**F562** S. 227D(6) omitted (with effect in accordance with Sch. 4 para. 4(3) of the amending Act) by virtue of [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [Sch. 4 para. 4\(2\)\(d\)](#)

<sup>F563</sup>**227EPension input periods ending before rights are first flexibly accessed**

.....

**Textual Amendments**

**F563** S. 227E omitted (with effect in accordance with Sch. 4 para. 4(3) of the amending Act) by virtue of [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [Sch. 4 para. 4\(1\)](#)

**227F Pension input periods in which rights are first flexibly accessed**

- (1) Subject to subsection (7), subsections (2) to (6) apply if, for an arrangement mentioned in section 227C(1), the pension input period ending in the tax year contains the day on which the individual first flexibly accesses pension rights (whether or not that day is in the tax year).

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- (2) If the arrangement is a cash balance arrangement, the pension input amount in respect of that arrangement is for the purposes of section 227C(1)(a) treated as being—

$$F \text{ PIP} \times \text{APIA}$$

where—

APIA is the (actual) pension input amount in respect of the arrangement (see section 229(2)(a)),

F is the number of days in the period—

- (a) beginning with the day after that on which the individual first flexibly accesses pension rights, and
- (b) ending at the end of the pension input period mentioned in subsection (1), and

PIP is the number of days in that pension input period.

- (3) If the arrangement is a money purchase arrangement other than a cash balance arrangement, the pension input amount in respect of that arrangement is for the purposes of section 227C(1)(a) treated as being the amount in respect of the arrangement that would be arrived at under section 233 for a pension input period—

- (a) beginning with the day after that on which the individual first flexibly accesses pension rights, and
- (b) ending at the end of the pension input period mentioned in subsection (1).

- (4) If the arrangement is a money purchase arrangement, the amount (if any) by which—

- (a) the (actual) pension input amount in respect of the arrangement (see section 229(2)(a) or (b)), exceeds
- (b) the amount treated by subsection (2) or (3) as being the pension input amount in respect of the arrangement,

is required to be included in the defined-benefit input sub-total calculated under section 227B(3).

- (5) If the arrangement is a hybrid arrangement—

- (a) input amount A mentioned in section 237 is for the purposes of sections 227C(1)(b) and 227D(2) treated as being—

$$F \text{ PIP} \times \text{AAIAA}$$

where—

AAIAA is the (actual) amount of input amount A for the arrangement,

F is the number of days in the period—

- (a) beginning with the day after that on which the individual first flexibly accesses pension rights, and
- (b) ending at the end of the pension input period mentioned in subsection (1), and

PIP is the number of days in that pension input period, and

- (b) input amount B mentioned in section 237 is for the purposes of sections 227C(1)(b) and 227D(2) treated as being the amount for the arrangement that would be arrived at under section 233 for a pension input period—

- (i) beginning on the day after that on which the individual first flexibly accesses pension rights, and

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- (ii) ending at the end of the pension input period mentioned in subsection (1).
- (6) If the arrangement is a hybrid arrangement, the amount (if any) by which—
- (a) the (actual) pension input amount in respect of the arrangement (see section 229(2)(d)), exceeds
  - (b) the amount which, in accordance with subsection (5) and section 227D, is for the purposes of section 227C(1)(b) the pension input amount in respect of the arrangement,
- is required to be included in the defined-benefit input sub-total calculated under section 227B(3).
- (7) Subsections (2) to (6) do not apply if section 165(3A) applied in the individual's case to the arrangement, or any other arrangement, at any time before 6 April 2015.

#### Textual Amendments

**F553** Ss. 227B-227G inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 65(2) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 65\(1\)](#)

### 227G When pension rights are first flexibly accessed

- (1) References in sections 227B to 227F to when the individual first flexibly accesses pension rights are to the time, or the earlier or earliest of the times, given for that by the following subsections.
- (2) If—
- (a) the individual has a member's flexi-access drawdown fund in respect of an arrangement, and
  - (b) the fund came into being—
    - (i) as a result of sums or assets being designated on or after 6 April 2015 as available for the payment of drawdown pension, or
    - (ii) as a result of the operation of paragraph 8D(2) of Schedule 28,
 the individual first flexibly accesses pension rights immediately before the first qualifying payment is made from the fund (see subsection (10)).
- (3) If section 165(3A) applied in the individual's case to an arrangement at any time before 6 April 2015, the individual first flexibly accesses pension rights at the start of 6 April 2015.
- (4) If—
- (a) the individual has a member's drawdown pension fund in respect of an arrangement, and
  - (b) the sums and assets that make up the fund become newly-designated funds by the operation of paragraph 8B of Schedule 28,
- the individual first flexibly accesses pension rights immediately before the first qualifying payment (see subsection (10)) is made from the individual's member's flexi-access drawdown fund in respect of the arrangement (whether that is the payment that triggers the operation of paragraph 8B of Schedule 28 or a subsequent payment).
- (5) If—

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- (a) the individual has a member's drawdown pension fund in respect of an arrangement, and
  - (b) the sums and assets that make up the fund become newly-designated funds by the operation of paragraph 8C of Schedule 28,
- the individual first flexibly accesses pension rights immediately before the first qualifying payment is made from the individual's member's flexi-access drawdown fund in respect of the arrangement (see subsection (10)).
- (6) The individual first flexibly accesses pension rights immediately before the payment of the first uncrystallised funds pension lump sum paid to the individual.
  - (7) If the individual is entitled to payment of a lifetime annuity under a flexible annuity contract (see subsection (8)), the individual first flexibly accesses pension rights immediately before the first payment of the annuity is made.
  - (8) In subsection (7) “flexible annuity contract” means a contract for a lifetime annuity where—
    - (a) the annuity is within paragraph 3(1A) of Schedule 28, and
    - (b) the terms of the contract are such that there will or could be decreases in the amount of the annuity other than decreases from time to time allowed by regulations under paragraph 3(1)(d) of Schedule 28 (and any such regulations are to be treated as having effect for this purpose).
  - (9) If—
    - (a) the individual is entitled to payment of a scheme pension under a money purchase arrangement under a registered pension scheme,
    - (b) the individual became entitled to the scheme pension—
      - (i) on or after 6 April 2015, and
      - (ii) at a time when fewer than 11 other individuals were entitled to the present payment of a scheme pension, or dependants' scheme pension, under the registered pension scheme, and
    - (c) the scheme pension is not payable under an annuity contract treated under section 153(8) or (8A) as having become a registered pension scheme,the individual first flexibly accesses pension rights immediately before the first payment of the scheme pension is made.
  - (10) In subsections (2), (4) and (5), a reference to a qualifying payment from a fund is a reference to—
    - (a) payment of income withdrawal from the fund, or
    - (b) payment of a short-term annuity purchased using sums or assets out of the fund,but does not include payment at a time when the whole of the fund represents rights attributable to a disqualifying pension credit.
  - (11) In subsection (10) “disqualifying pension credit” is to be read in accordance with paragraph 2(3) and (4) of Schedule 29.]

#### **Textual Amendments**

**F553** Ss. 227B-227G inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 65(2) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 65\(1\)](#)

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## <sup>F564</sup>228 Annual allowance

- <sup>F565</sup>(1) The annual allowance for the tax year 2014-15 and, subject to subsection (2), each subsequent tax year is £40,000.]
- (2) The Treasury may by order provide that the annual allowance for any tax year subsequent to the tax year [<sup>F566</sup>2014-15] is such amount as is specified in the order.]

### Textual Amendments

- F564** S. 228 substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 4](#)
- F565** S. 228(1) substituted (with effect in accordance with s. 49(4) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [s. 49\(2\)](#)
- F566** Word in s. 228(2) substituted (with effect in accordance with s. 49(4) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [s. 49\(3\)](#)

## <sup>F567</sup>228ZAapered reduction of annual allowance: high-income individual

- <sup>F568</sup>(1) If the individual is a high-income individual for the tax year, the amount of the annual allowance for the tax year in the case of the individual is the amount specified for the tax year by or under section 228 reduced (but not below £4,000) by—
- $$(AI - £240,000) \times 12$$
- where AI is the individual's adjusted income for the tax year.]
- (2) If the amount of the reduction under subsection (1) would otherwise not be a multiple of £1, it is to be rounded down to the nearest amount which is a multiple of £1.
- (3) The individual is a “high-income individual” for the tax year if—
- (a) the individual's adjusted income for the tax year is more than [<sup>F569</sup>£240,000] and
  - (b) the individual's threshold income for the tax year is more than the amount given by [<sup>F570</sup>£240,000] minus the amount specified for the tax year by or under section 228].
- (4) The individual's “adjusted income” for the tax year is—
- (a) the individual's net income for the year (see Step 2 of the calculation in section 23 of ITA 2007), plus
  - (b) the amount of any relief under section 193(4) or 194(1) deducted at that Step, plus
  - (c) the amount of any deductions made from employment income of the individual for the year—
    - (i) under section 193(2), or
    - (ii) under Chapter 2 of Part 5 of ITEPA 2003 in accordance with paragraph 51(2) of Schedule 36, plus
  - (d) an amount equal to—
    - (i) the total pension input amount calculated in accordance with section 229(1), less
    - (ii) the amount of any contributions paid by or on behalf of the individual during the year under registered pension schemes of which the individual is a member, less

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- (e) the amount of any lump sum which accrues in the year and in relation to which section 579A of ITEPA 2003 is applied by section 636A(4ZA) of ITEPA 2003.
- (5) The individual's "threshold income" for the tax year is—
- (a) the individual's net income for the year (see Step 2 of the calculation in section 23 of ITA 2007), plus
  - (b) any amount by which what would otherwise be general earnings or specific employment income of the individual for the year has been reduced by relevant salary sacrifice arrangements or relevant flexible remuneration arrangements, less
  - (c) the amount (before any deduction under section 192(1)) of any contribution paid in the year in respect of which the individual is entitled to be given relief under section 192 (relief at source), less
  - (d) the amount of any lump sum which accrues in the year and in relation to which section 579A of ITEPA 2003 is applied by section 636A(4ZA) of ITEPA 2003.
- (6) In subsection (5)—
- "relevant salary sacrifice arrangements" means arrangements—
    - (a) under which the individual gives up the right to receive general earnings or specific employment income in return for the making of relevant pension provision, and
    - (b) which are made on or after 9 July 2015 (and whether before or after the start of the employment concerned), and
  - "relevant flexible remuneration arrangements" means arrangements—
    - (a) under which the individual and an employer of the individual agree that relevant pension provision is to be made rather than the individual receive some description of employment income, and
    - (b) which are made on or after 9 July 2015 (and whether before or after the start of the employment concerned).
- (7) In subsection (6) "relevant pension provision" means the payment of contributions (or additional contributions) to a pension scheme in respect of the individual or otherwise (by an employer of the individual or any other person) to secure an increase in the amount of the benefits to which the individual or any person who is a dependant of, or is connected with, the individual is actually or prospectively entitled under a pension scheme.
- (8) In subsection (7) "increase" includes increase from nil.
- (9) Section 993 of ITA 2007 (meaning of "connected" persons) applies for the purposes of subsection (7).

#### Textual Amendments

- F567** Ss. 228ZA, 228ZB inserted (with effect in accordance with Sch. 4 para. 10(2) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [Sch. 4 para. 10\(1\)](#)
- F568** S. 228ZA(1) substituted (6.4.2020 for the tax year 2020-21 and subsequent tax years) by [Finance Act 2020 \(c. 14\)](#), [s. 22\(2\)\(4\)](#)
- F569** Sum in s. 228ZA(3)(a) substituted (6.4.2020 for the tax year 2020-21 and subsequent tax years) by [Finance Act 2020 \(c. 14\)](#), [s. 22\(3\)\(a\)\(4\)](#)
- F570** Words in s. 228ZA(3)(b) substituted (6.4.2020 for the tax year 2020-21 and subsequent tax years) by [Finance Act 2020 \(c. 14\)](#), [s. 22\(3\)\(b\)\(4\)](#)

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## **228ZB Anti-avoidance in connection with section 228ZA**

- (1) Subsection (5) applies if there are arrangements in respect of which conditions A to C are met.
- (2) Condition A is that it is reasonable to assume that the main purpose, or one of the main purposes, of the arrangements is to reduce the amount of the reduction under section 228ZA(1) in the individual's case—
  - (a) for the tax year, or
  - (b) for two or more tax years which include the tax year.
- (3) Condition B is that the arrangements involve either or both of the following—
  - (a) reducing the individual's adjusted income for the tax year, and
  - (b) reducing the individual's threshold income for the tax year.
- (4) Condition C is that the arrangements involve the reduction within subsection (3), or any of the reductions within subsection (3), being redressed by an increase in the individual's adjusted income, or threshold income, for a different tax year.
- (5) The reduction under section 228ZA(1) in the individual's case for the tax year is to be treated as being what it would be apart from the arrangements.
- (6) In subsection (2) “reduce” includes reduce to nil.
- (7) The increase mentioned in subsection (4) may be an increase in what would be the individual's adjusted income, or threshold income, for the tax year 2015-16 if section 228ZA—
  - (a) had effect for that year, and
  - (b) did so as if the total pension input amount mentioned in section 228ZA(4)(d)
    - (i) were the sum of the total pension input amounts for the pre-alignment and post-alignment tax years (see section 228C(2)).
- (8) In this section “arrangements” includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable).]

### **Textual Amendments**

**F567** Ss. 228ZA, 228ZB inserted (with effect in accordance with Sch. 4 para. 10(2) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [Sch. 4 para. 10\(1\)](#)

## **[<sup>F571</sup>228A Carry forward of unused annual allowance**

- (1) This section applies if the individual has unused annual allowance available for the tax year (“the current tax year”).
- (2) The annual allowance for the current tax year in the case of the individual is to be treated as increased by the amount of the unused annual allowance available for the current tax year.
- (3) The individual has unused annual allowance available for the current tax year if—
  - (a) the amount of the annual allowance (before any increase under this section) for the immediately preceding tax year exceeded the total pension input amount in the case of the individual for that tax year, or



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- (b) the amount of the annual allowance (before any such increase) for either or both of the two tax years immediately preceding that immediately preceding tax year exceeded the total pension input amount in the case of the individual for the tax year concerned and the excess (or, where there is an excess for both of those tax years, the excess for both tax years) has not been used up, or both.
- (4) Subsection (3)—
- (a) does not apply in relation to a tax year preceding the current tax year unless the individual was a member of a registered pension scheme at some time during that tax year, but
- (b) subject to that, applies in relation to such a tax year even if the total pension input amount in the case of the individual for that tax year was nil (in which case the excess within paragraph (a) or (b) of that subsection is the whole amount of the annual allowance before any increase under this section).
- (5) The amount of the unused annual allowance available for the current tax year is the aggregate of—
- (a) any excess within subsection (3)(a), and
- (b) so much of any excess within subsection (3)(b) as has not been used up.
- (6) An amount of an excess within subsection (3)(b) for a tax year has been “used up” if—
- (a) for a tax year falling between that tax year and the current tax year (an “intervening tax year”), the total pension input amount in the case of the individual exceeded the annual allowance (apart from any increase under this section), and
- (b) the amount of the excess had effect by virtue of this section to reduce (or eliminate) the annual allowance charge for the intervening tax year in the case of the individual.
- (7) In calculating for the purposes of subsection (6) the amount of which of the excesses for different tax years had effect to reduce or eliminate the annual allowance charge for an intervening tax year, an amount of the excess for an earlier tax year is to be taken to have done so before that for a later tax year.
- [ If, for a tax year preceding the current tax year, the chargeable amount in the <sup>F572</sup>(8) individual's case was the alternative chargeable amount—
- (a) a reference in subsection (3)(a) or (b), (4)(b) or (6)(a) to the annual allowance for that preceding tax year is a reference to the alternative annual allowance for that preceding tax year (see section 227B(2)), and
- (b) a reference in subsection (3)(a) or (b), (4)(b) or (6)(a) to the total pension input amount in the case of the individual for that preceding tax year is a reference to the defined-benefit input sub-total in the case of the individual for that preceding tax year (see section 227B(3) to (5)).
- (9) Subsection (3) does not apply in relation to a tax year—
- (a) preceding the current tax year, and
- (b) ending not later than 5 April 2015,
- if, at any time in that preceding tax year, section 165(3A) or 167(2A) applied to an arrangement relating to the individual.]]

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#### Textual Amendments

**F571** S. 228A inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 5](#)

**F572** Ss. 228A(8)(9) inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 67(2) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 67\(1\)](#)

#### Modifications etc. (not altering text)

**C99** S. 228A applied (with modifications) (19.7.2011) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 paras. 29, 30](#)

### [<sup>F573</sup>**228B** Carry forward: certain periods treated as pension input periods

- (1) This section applies where the first pension input period for a relevant arrangement relating to an individual ends in the tax year 2011-12, 2012-13 or 2013-14.
- (2) A period is a “carry forward period” for the purposes of this section if it—
  - (a) is one of the 3 consecutive periods of 12 months immediately before the commencement date of the first pension input period, and
  - (b) is a period in which the arrangement was in existence at any time.
- (3) Any amount that would, if a carry forward period were a pension input period of the arrangement, have been unused annual allowance available to the individual for the tax year 2011-12, 2012-13 or 2013-14 is to be treated as unused annual allowance available to the individual for that tax year.
- (4) In this section “relevant arrangement” means—
  - (a) a cash balance arrangement,
  - (b) a defined benefits arrangement, or
  - (c) a hybrid arrangement the only benefits under which may be cash balance benefits or defined benefits.]

#### Textual Amendments

**F573** S. 228B inserted (28.1.2015) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **11**

### [<sup>F574</sup>**228CA** Annual allowance for, and carry-forward from, 2015-16

- (1) The provisions relating to the annual allowance charge (whether provisions contained in or made under this or any other Act) have effect subject to the following rules.

*2015-16 split into two tax years for annual allowance purposes*

- (2) For the purposes of those provisions but subject to subsection (3), the tax year 2015-16 is to be treated as consisting of two tax years as follows—
  - (a) one beginning with 6 April 2015 and ending with 8 July 2015 (“the pre-alignment tax year”), and
  - (b) one beginning with 9 July 2015 and ending with 5 April 2016 (“the post-alignment tax year”).
- (3) Despite subsection (2)—

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- (a) separate annual allowance charges for each of the pre-alignment and post-alignment tax years cannot arise, but a single annual allowance charge for the tax year 2015-16 arises if the individual has a chargeable amount for either or each of the pre-alignment and post-alignment tax years, and
- (b) that single annual allowance charge is calculated as if—
  - (i) in section 227(4) the reference to the chargeable amount were a reference to the sum of the chargeable amounts for the pre-alignment and post-alignment tax years, and
  - (ii) in section 227(4A) to (4C) each reference to the tax year were to the tax year 2015-16.

*Double allowances allocated to earlier part of 2015-16*

- (4) For the pre-alignment tax year—
  - (a) the amount specified in section 228(1) (annual allowance for tax year) is treated as being £80,000, and
  - (b) in each of sections 227ZA(1)(b) and 227B(1)(b) and (2), the reference to £10,000 is treated as a reference to £20,000.

*Allowances for later part of 2015-16 limited to carried-forward allowances*

- (5) Where the individual was a member of a registered pension scheme at some time in the pre-alignment tax year then, for the post-alignment tax year—
  - (a) the amount specified in section 228(1) is treated as being nil,
  - (b) section 227B(2) (amount of alternative annual allowance) has effect as if “AA” were substituted for “AA – £10,000”,
  - (c) if the chargeable amount in the individual's case for the pre-alignment tax year is the alternative chargeable amount, the reference to £10,000 in each of sections 227ZA(1)(b) and 227B(1)(b) is treated as being a reference to nil, and
  - (d) if the chargeable amount in the individual's case for the pre-alignment tax year is the default chargeable amount, the reference to £10,000 in each of sections 227ZA(1)(b) and 227B(1)(b) is treated as being a reference—
    - (i) to nil where the money-purchase input sub-total in the individual's case for the pre-alignment tax year is £20,000 or more, or
    - (ii) to the amount equal to £20,000 minus that sub-total where that sub-total is more than £10,000 but less than £20,000.

*Limit on carry-forward of unused allowances from earlier part of 2015-16*

- (6) Where the current tax year for the purposes of section 228A (carry-forward of annual allowance) is the post-alignment tax year—
  - (a) if—
    - (i) the chargeable amount in the individual's case for the pre-alignment tax year is the default chargeable amount, and
    - (ii) the excess mentioned in section 228A(5)(a) would otherwise be more than £40,000,that excess is treated as being £40,000, and
  - (b) if—
    - (i) the chargeable amount in the individual's case for the pre-alignment tax year is the alternative chargeable amount, and

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- (ii) the excess mentioned in section 228A(5)(a) would otherwise be more than £30,000,  
 that excess is treated as being £30,000.

*Further provisions about carry-forward of unused allowances*

- (7) Where the current tax year for the purposes of section 228A is the post-alignment tax year or the tax year 2016-17, 2017-18 or 2018-19, section 228A applies in relation to that current tax year as if in section 228A(3)(b)—
- (a) for “either or both of the two” there were substituted “ any one or more of the three ”, and
  - (b) for “(or, where there is an excess for both of those tax years, the excess for both tax years)” there were substituted “ (or, where there is an excess for two or all three of those tax years, the excess for both or all those tax years) ”.
- (8) Where the current tax year for the purposes of section 228A is the tax year 2016-17, 2017-18 or 2018-19—
- (a) if—
    - (i) the chargeable amount in the individual's case for the pre-alignment tax year is the default chargeable amount, and
    - (ii) the excess within section 228A(3)(b) in the case of the pre-alignment tax year would otherwise be more than £40,000,  
 that excess is treated as being £40,000 (and accordingly the amount aggregated under section 228A(5) in respect of that excess is so much of the £40,000 as has not been used up),
  - (b) if—
    - (i) the chargeable amount in the individual's case for the pre-alignment tax year is the alternative chargeable amount, and
    - (ii) the excess within section 228A(3)(b) in the case of the pre-alignment year would otherwise be more than £30,000,  
 that excess is treated as being £30,000 (and accordingly the amount aggregated under section 228A(5) in respect of that excess is so much of the £30,000 as has not been used up), and
  - (c) in calculating for the purposes of section 228A(6) the amount of which of the excesses for different tax years had effect to reduce or eliminate the annual allowance charge for the post-alignment tax year, the amount of the excess for the pre-alignment tax year is to be taken to have done so before that for any other tax year and, subject to that, the amount of the excess for an earlier tax year is to be taken to have done so before that for a later year.

*Supplementary provision*

- (9) For the pre-alignment tax year, section 229(3) applies as if the reference to the end of the tax year were a reference to the end of the post-alignment tax year.]

**Textual Amendments**

**F574** S. 228C inserted (18.11.2015) by Finance (No. 2) Act 2015 (c. 33), Sch. 4 para. 6

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## 229 Total pension input amount

- (1) The total pension input amount is arrived at by aggregating the pension input amounts in respect of each arrangement relating to the individual under a registered pension scheme of which the individual is a member.
- (2) The pension input amount in respect of an arrangement—
  - (a) is the amount arrived at under sections 230 to 232 if it is a cash balance arrangement,
  - (b) is the amount arrived at under section 233 if it is any other sort of money purchase arrangement,
  - (c) is the amount arrived at under sections 234 to [F575]236A] if it is a defined benefits arrangement, and
  - (d) is the amount arrived at under section 237 if it is a hybrid arrangement.
- (3) But there is no pension input amount in respect of an arrangement if, before the end of the tax year, the individual—
  - [F576](a) satisfies the severe ill-health condition, or
  - (b) has died.
- [F577](4) For the purposes of subsection (3)(a) the individual satisfies the severe ill-health condition if the individual—
  - (a) becomes entitled to all the benefits to which the individual is entitled under the arrangement in consequence of the scheme administrator having received evidence from a registered medical practitioner that the individual is suffering from ill-health which makes the individual unlikely to be able (otherwise than to an insignificant extent) to undertake gainful work (in any capacity) before reaching pensionable age,
  - (b) becomes entitled to a serious ill-health lump sum under the arrangement, or
  - (c) is a member of the armed forces of the Crown who becomes entitled under the arrangement to a benefit on which no liability to income tax arises by virtue of section 641(1) of ITEPA 2003.]
- [F578](5) Subsection (2) is subject to section 237ZA (calculation of pension input amounts for input periods ending in 2015-16).]

### Textual Amendments

- F575** Word in s. 229(2)(c) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 6\(2\)](#)
- F576** S. 229(3)(a) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 6\(3\)](#)
- F577** S. 229(4) inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 6\(4\)](#)
- F578** S. 229(5) inserted (18.11.2015) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [Sch. 4 para. 8](#)

### Modifications etc. (not altering text)

- C100** S. 229(3) modified (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), [Sch. 35 para. 4\(1\)](#)

### Commencement Information

- I81** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

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### 230 Cash balance arrangements

- (1) The pension input amount in respect of a cash balance arrangement is the amount of any increase in the value of the individual's rights under the arrangement during the pension input period of the arrangement that ends in the tax year.
- (2) There is an increase in the value of the individual's rights under the arrangement during the pension input period if—
  - (a) the opening value of the individual's rights under the arrangement, is exceeded by
  - (b) the closing value of the individual's rights under the arrangement.
- (3) The amount of the increase in the value of the individual's rights under the arrangement during the pension input period is the amount of that excess.
- [<sup>F579</sup>(4) The opening value of the individual's rights under the arrangement—
  - (a) where the pension input period is the first pension input period of the arrangement, is the amount which would, on the valuation assumptions (see section 277), be available for the provision of benefits to or in respect of the individual under the arrangement if the individual became entitled to the benefits immediately before that pension input period (or is nil if no such amount would be available), or
  - (b) in any other case, is the amount which would, on the valuation assumptions, be available for the provision of benefits to or in respect of the individual under the arrangement if the individual became entitled to the benefits at the end of the immediately preceding pension input period.]
- (5) The closing value of the individual's rights under the arrangement is the amount which would, on the valuation assumptions, be available for the provision of benefits to or in respect of the individual under the arrangement if the individual became entitled to the benefits at the end of the pension input period.
- [<sup>F580</sup>(5A) If, during the pension input period, minimum payments are made under—
  - (a) section 8 of the Pension Schemes Act 1993, or
  - (b) section 4 of the Pension Schemes (Northern Ireland) Act 1993,
 in relation to the individual in connection with the arrangement, their amount is to be subtracted from what would otherwise be the pension input amount in the case of the individual in respect of the arrangement.
- [<sup>F581</sup>(5B) The pension input amount in respect of the cash balance arrangement is nil where subsection (5BA) or (5BB) applies and the value of the relevant rights of the individual under the arrangement does not increase during the pension input period by more than—
  - (a) the relevant percentage, plus
  - (b) the relevant statutory increase percentage.
- (5BA) This subsection applies where the individual—
  - (a) is, throughout the pension input period, a deferred member of the pension scheme that the arrangement is under,
  - (b) is such a deferred member for part of the pension input period and a pensioner member for the rest of it, or
  - (c) would meet the condition in paragraph (a) or (b) if the arrangement were the only arrangement under the pension scheme relating to that individual.

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(5BB) This subsection applies where—

- (a) during the pension input period all the sums or assets held for the purposes of, or representing accrued rights under, the arrangement are transferred so as to become held for the purposes of, or to represent rights under—
  - (i) a registered pension scheme, or
  - (ii) a qualifying recognised overseas pension scheme,in connection with the individual,
- (b) the individual is a deferred member of the pension scheme that the arrangement is under from the beginning of the pension input period until the transfer (or would be if the arrangement were the only arrangement under the pension scheme relating to that individual), and
- (c) rights do not accrue under the arrangement to or in respect of the individual during so much of the pension input period as falls after the transfer.

(5BC) In determining for the purposes of this section whether or not a member of a pension scheme is a deferred member (see particularly the definition of “active member” in section 151(2)), arrangements made under the pension scheme for benefits to accrue, as a consequence of (and immediately after) a relevant inward transfer (as defined in section 232(6)) to or in respect of that member, are to be disregarded—

- (a) if condition B in section 232(6A) is met in relation to the accrual of benefits under the arrangements, or
- (b) so far as the accrual of benefits under the arrangements is to be an increase in the rights of the individual which falls to be subtracted by virtue of section 232(6A)(b).]

(5C) In this section—

“guaranteed minimum pension” has the meaning given by—

- (a) section 8(2) of the Pension Schemes Act 1993, or
- (b) section 4(2) of the Pension Schemes (Northern Ireland) Act 1993;

“predecessor arrangement”, in relation to an arrangement, means another arrangement (under the same or another registered pension scheme) from which some or all of the sums or assets held for the purposes of the arrangement directly or indirectly derive;

“predecessor registered pension scheme”, in relation to a pension scheme, means another registered pension scheme from which some or all of the sums or assets held for the purposes of the arrangement under the pension scheme directly or indirectly derive;

[<sup>F582</sup>“the relevant percentage” means—

- (a) where throughout the pension input period the arrangement (or a predecessor arrangement) includes provision for the value of the relevant rights of the individual to increase at an annual rate which is an RPI-related rate specified in the rules of the pension scheme (or a predecessor registered pension scheme) on 6th April 2012, that rate,
- (b) where throughout the pension input period the arrangement (or a predecessor arrangement) includes provision for the value of the relevant rights of the individual to increase at an annual rate, other than an RPI-related rate, specified in the rules of the pension scheme (or a predecessor registered pension scheme) on 14th October 2010, that rate, and

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- (c) in a case not falling within paragraph (a) or (b), the percentage by which the consumer prices index for a month falling within the pension input period and nominated by the scheme administrator is higher than it was for the same month in the previous period of 12 months (or nil per cent if it is not higher);]

“the relevant rights of the individual” means rights of the individual under the arrangement, other than any rights to a guaranteed minimum pension;

[<sup>F583</sup>“the relevant statutory increase percentage” in relation to a pension input period means the percentage increase in the value of the individual’s rights under the arrangement during the pension input period so far as it is attributable solely to one or more of the following—

- (a) an increase in accordance with section 15 of the Pension Schemes Act 1993 or section 11 of the Pension Schemes (Northern Ireland) Act 1993 (increase of guaranteed minimum where commencement of guaranteed minimum pension postponed);
- (b) a revaluation in accordance with section 16 of the Pension Schemes Act 1993 or section 12 of the Pension Schemes (Northern Ireland) Act 1993 (early leavers: revaluation of earning factors);
- (c) a revaluation in accordance with Chapter 2 of Part 4 of the Pension Schemes Act 1993 or the Pension Schemes (Northern Ireland) Act 1993 (early leavers: revaluation of accrued benefits);
- (d) a revaluation in accordance with Chapter 3 of Part 4 of the Pension Schemes Act 1993 or the Pension Schemes (Northern Ireland) Act 1993 (early leavers: protection of increases in guaranteed minimum pensions);
- (e) the application of section 67 of the Equality Act 2010 (sex equality rule for occupational pension schemes);

“RPI-related rate” (in the definition of “the relevant percentage”) means—

- (a) a rate produced solely by movement in the retail prices index, or
- (b) a rate which (however expressed) is the lower of such a rate and a percentage figure;]

“specified”, in relation to an annual rate, means specified as a percentage figure or as a percentage produced by movement in an index (or a combination of the two) but does not include a percentage produced by the exercise of a discretion by any person.]

- (6) Section 231 (uprating of opening value) and section 232 (adjustments of closing value) supplement this section.

#### Textual Amendments

- F579** S. 230(4) substituted (with effect in accordance with art. 2(a) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **12(a)**
- F580** S. 230(5A)-(5C) inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 17 para. 7(3)**
- F581** S. 230(5B)-(5BC) substituted for s. 230(5B) (with effect in accordance with arts. 2(a), 3(1) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **12(b)**
- F582** Words in s. 230(5C) substituted (with effect in accordance with art. 2(a) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **12(c)(i)**



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**F583** Words in s. 230(5C) inserted (with effect in accordance with art. 2(a) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **12(c)(ii)**

**Modifications etc. (not altering text)**

**C101** S. 230 applied (with modifications) (6.4.2006) by [The Registered Pension Schemes \(Restriction of Employers Relief\) Regulations 2005 \(S.I. 2005/3458\)](#), regs. 1(1), **5** (with regs. 2-4)

**C102** Ss. 230-237 modified (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), **Sch. 35 para. 5(2)**

**C103** S. 230(1) modified (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), **Sch. 35 para. 5(1)**

**Commencement Information**

**I82** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

**231 Cash balance arrangements: uprating of opening value**

(1) This section applies for adjusting the opening value of the individual's rights as calculated under section 230(4).

(2) The opening value is to be increased by the appropriate percentage.

[<sup>F584</sup>(3) The appropriate percentage is the percentage (if any) by which the consumer prices index for the September before the start of the tax year is higher than it was for the previous September.]

**Textual Amendments**

**F584** S. 231(3) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 17 para. 8**

**Modifications etc. (not altering text)**

**C102** Ss. 230-237 modified (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), **Sch. 35 para. 5(2)**

**C104** S. 231 modified (6.4.2006) by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\) Regulations 2006 \(S.I. 2006/207\)](#), regs. 1(1), **9** (as amended (with effect in accordance with reg. 1(7) of the amending S.I.) by [S.I. 2011/1751](#), regs. 1(1), **12(3)**)

**Commencement Information**

**I83** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

**232 Cash balance arrangements: adjustments of closing value**

(1) This section applies for adjusting the closing value of the individual's rights under the arrangement as calculated under section 230(5).

(2) If, during the pension input period, the rights of the individual under the arrangement have been reduced by having become subject to a pension debit, the amount of [<sup>F585</sup>the reduction] is to be added.

(3) If, during the pension input period, the rights of the individual under the arrangement have been increased by the individual having become entitled to a pension credit

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deriving from the same or another registered pension scheme, the amount of [<sup>F586</sup>the increase] is to be subtracted.

- (4) [<sup>F587</sup>In subsection (4A) “relevant outward transfer” means][<sup>F588</sup>a transfer relating to the individual of any sums or assets] held for the purposes of, or representing accrued rights under, the arrangement so as to become held for the purposes of, or to represent rights under, any <sup>F589</sup>... pension scheme that is—
- (a) a registered pension scheme, or
  - (b) a qualifying recognised overseas pension scheme.

<sup>F590</sup> ...

- [<sup>F591</sup>(4A) If there is a relevant outward transfer during the pension input period, then—
- (a) if condition A is met, the amount of the reduction specified in paragraph (b) of that condition is to be added;
  - (b) if condition A is not met but the rights of the individual under the arrangement have been reduced by reason of the relevant outward transfer, the amount of that reduction is to be added.

Condition A is that—

- (a) the relevant outward transfer (“the transfer”) takes place within a block transfer,
- (b) the rights of the individual under the arrangement have been reduced, and the rights of the individual under the pension scheme mentioned in subsection (4) have been increased, as a consequence (whether direct or indirect) of the transfer, and
- (c) the amount of that reduction is equal (or virtually equal) to the amount of that increase.]

<sup>F592</sup>(5) .....

- (6) [<sup>F593</sup>In subsection (6A) “relevant inward transfer” means][<sup>F594</sup>a transfer relating to the individual] of any sums or assets held for the purposes of, or representing accrued rights under, any pension scheme so as to become held for the purposes of, or to represent rights under, the arrangement<sup>F595</sup> ...

- [<sup>F596</sup>(6A) If there is a relevant inward transfer during the pension input period, then—
- (a) if condition B is met, the amount of the increase specified in paragraph (b) of that condition is to be subtracted;
  - (b) if condition B is not met but the rights of the individual under arrangement have been increased by reason of the relevant inward transfer, the amount of that increase is to be subtracted.

Condition B is that—

- (a) the relevant inward transfer (“the transfer”) takes place within a block transfer,
- (b) the rights of the individual under the arrangement have been increased, and the rights of the individual under the pension scheme mentioned in subsection (6) have been reduced, as a consequence (whether direct or indirect) of the transfer, and
- (c) the amount of that increase is equal (or virtually equal) to the amount of that reduction.

- (6B) For the purposes of Condition A in subsection (4A) and Condition B in subsection (6A)

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- (a) normal actuarial practice must be used when determining and comparing the amount of the reduction, and the amount of the increase, in rights,
- (b) the amount of a reduction or increase in rights under the arrangement is the difference between the amount of those rights under the arrangement immediately before the transfer and immediately after the transfer, and
- (c) the amount of an increase or reduction in rights under a pension scheme is the difference between the amount of those rights under the pension scheme immediately before the transfer and immediately after the transfer.

(6C) In subsections (4A) and (6A)—

“block transfer” means a transfer which involves the transfer in a single transaction of all the sums or assets held for the purposes of, or representing accrued rights under, the arrangements under a pension scheme which relate to the individual and at least one other member of that pension scheme so as to become held for the purposes of, or to represent rights under, any pension scheme.]

[<sup>F597</sup>(6D) For the purposes of subsections (4A) and (6A), the rights of the individual under the arrangement have been reduced or increased, as the case may be, “by reason of” a transfer of sums or assets only where that reduction or increase is solely attributable to the value of those sums or assets.]

<sup>F598</sup>(7) .....

[<sup>F599</sup>(8) If, during the pension input period, the rights of the individual under the arrangement have been reduced by any surrender made, or similar action taken, pursuant to an option available to the individual under the arrangement, the amount of the reduction is to be added.

(8A) If, during the pension input period—

- (a) benefit crystallisation event 1, 2 or 4 occurs in relation to the individual and the arrangement,
- (b) benefit crystallisation event 3 occurs in relation to the individual and the arrangement otherwise than by reason of a provision contained in, or made under, any enactment,
- (c) benefit crystallisation event 6 occurs or, but for paragraph 15A of Schedule 32, would occur in relation to the individual and the arrangement by virtue of the individual becoming entitled to a pension commencement lump sum or a lifetime allowance excess lump sum, or
- (d) there is an allocation of rights of the individual under the arrangement (not falling within paragraph (a)),

the relevant amount is to be added.

(8B) In subsection (8A) “the relevant amount” is—

<sup>F600</sup>(a) .....

<sup>F600</sup>(b) .....

- (c) in the case of benefit crystallisation event 6, the amount of the lump sum, and
- (d) in any other case, the amount of the reduction in the amount of the rights available for the provision of benefits to or in respect of the individual occurring by reason of the benefit crystallisation event or allocation.

(8C) If, during the pension input period, an adjustment to the individual's rights under the arrangement is made in consequence of the scheme administrator satisfying a liability

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under section 237B in respect of the individual, if and to the extent that the adjustment is reflected in the closing amount the amount of the adjustment is to be added to the closing amount.

(8D) But no amount is to be added under subsection (8C) by reason of an adjustment made in consequence of the scheme administrator satisfying a liability under section 237B <sup>F601</sup>in a case where—

- (a) the individual becomes actually entitled to all of the individual's benefits under the pension scheme or benefit crystallisation event 5, 5A or 5B occurs in relation to the individual and the pension scheme, and
- (b) the adjustment takes place after the individual becomes so entitled or the benefit crystallisation event occurs.]]

<sup>F602</sup>(9) .....

#### Textual Amendments

- F585** Words in s. 232(2) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 9\(2\)](#)
- F586** Words in s. 232(3) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 9\(3\)](#)
- F587** Words in s. 232(4) substituted (with effect in accordance with arts. 2(b), 3(3) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [13\(a\)\(i\)](#)
- F588** Words in s. 232(4) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 9\(4\)\(b\)](#)
- F589** Word in s. 232(4) omitted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 9\(4\)\(c\)](#)
- F590** Words in s. 232(4) omitted (with effect in accordance with arts. 2(b), 3(3) of the amending S.I.) by virtue of [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [13\(a\)\(ii\)](#)
- F591** S. 232(4A) inserted (with effect in accordance with arts. 2(b), 3(3) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [13\(b\)](#)
- F592** S. 232(5) omitted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 9\(5\)](#)
- F593** Words in s. 232(6) substituted (with effect in accordance with art. 2(b) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [13\(c\)\(i\)](#)
- F594** Words in s. 232(6) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 9\(6\)\(b\)](#)
- F595** Words in s. 232(6) omitted (with effect in accordance with art. 2(b) of the amending S.I.) by virtue of [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [13\(c\)\(ii\)](#)
- F596** S. 232(6A)-(6C) inserted (with effect in accordance with art. 2(b) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [13\(d\)](#)
- F597** S. 232(6D) inserted (with effect in accordance with art. 3(4) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [13\(e\)](#)
- F598** S. 232(7) omitted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 9\(7\)](#)

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- F599** S. 232(8)-(8D) substituted for s. 232(8) (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 9\(8\)](#)
- F600** S. 232(8B)(a)(b) omitted (with effect in accordance with art. 4 of the amending S.I.) by virtue of [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [13\(f\)](#)
- F601** Words in s. 232(8D) substituted (with effect in accordance with art. 5 of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [13\(g\)](#)
- F602** S. 232(9) omitted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 9\(9\)](#)

**Modifications etc. (not altering text)**

- C102** Ss. 230-237 modified (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), [Sch. 35 para. 5\(2\)](#)
- C105** S. 232 applied (with modifications) (6.4.2006) by [The Registered Pension Schemes \(Restriction of Employers Relief\) Regulations 2005 \(S.I. 2005/3458\)](#), regs. 1(1), [5](#) (with regs. 2-4)

**Commencement Information**

- I84** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

**233 Other money purchase arrangements**

- (1) The pension input amount in respect of a money purchase arrangement other than a cash balance arrangement is the total of—
- (a) any relievable pension contributions paid by or on behalf of the individual under the arrangement, and
  - (b) contributions paid in respect of the individual under the arrangement by an employer of the individual,
- during the pension input period of the arrangement that ends in the tax year.

<sup>F603</sup>(2) .....

- (3) When at any time contributions paid under a pension scheme by an employer otherwise than in respect of any individual become held for the purposes of the provision under an arrangement under the pension scheme of benefits to or in respect of an individual, they are to be treated as being contributions paid at that time in respect of the individual under the arrangement.

[<sup>F604</sup>(4) References to “contributions” in subsection (1) do not include any amount which is a refund of excess contributions lump sum (see paragraph 6 of Schedule 29).]

**Textual Amendments**

- F603** S. 233(2) omitted (retrospective to 6.4.2013) by virtue of [Finance Act 2013 \(c. 29\)](#), [s. 52\(7\)\(10\)](#)
- F604** S. 233(4) inserted (with effect in accordance with art. 6 of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [14](#)

**Modifications etc. (not altering text)**

- C102** Ss. 230-237 modified (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), [Sch. 35 para. 5\(2\)](#)
- C106** S. 233 applied (with modifications) (6.4.2006) by [The Registered Pension Schemes \(Restriction of Employers Relief\) Regulations 2005 \(S.I. 2005/3458\)](#), regs. 1(1), [6](#) (with regs. 2-4)

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**C107** S. 233(1) modified (21.7.2009) by [Finance Act 2009 \(c. 10\), Sch. 35 para. 5\(1\)](#)

### Commencement Information

**I85** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

## 234 Defined benefits arrangements

- (1) The pension input amount in respect of a defined benefits arrangement is the amount of any increase in the value of the individual's rights under the arrangement during the pension input period of the arrangement that ends in the tax year.
- (2) There is an increase in the value of the individual's rights under the arrangement during the pension input period if—
  - (a) the opening value of the individual's rights under the arrangement, is exceeded by
  - (b) the closing value of the individual's rights under the arrangement.
- (3) The amount of the increase in the value of the individual's rights under the arrangement during the pension input period is the amount of that excess.
- [<sup>F605</sup>(4) The opening value of the individual's rights under the arrangement is—
 
$$(16 \times \text{PB}) + \text{LSB}$$
 [<sup>F606</sup>where—
 

PB is—

  - (a) if the pension input period is the first pension input period of the arrangement, the annual rate of the pension which would, on the valuation assumptions (see section 277), be payable to the individual under the arrangement if the individual became entitled to payment of it immediately before that pension input period (or is nil if no such annual rate would be so payable), or
  - (b) in any other case, the annual rate of the pension which would, on the valuation assumptions, be payable to the individual under the arrangement if the individual became entitled to payment of it at the end of the immediately preceding pension input period, and

LSB is—

  - (a) if the pension input period is the first pension input period of the arrangement, the amount of the lump sum to which the individual would, on the valuation assumptions, be entitled under the arrangement (otherwise than by commutation of pension) if the individual became entitled to the payment of it immediately before that pension input period (or is nil if there is no such lump sum to which the individual would be so entitled), or
  - (b) in any other case, the amount of the lump sum to which the individual would, on the valuation assumptions, be entitled under the arrangement (otherwise than by commutation of pension) if the individual became entitled to the payment of it at the end of the immediately preceding pension input period.]
  - [<sup>F607</sup>(5) The closing value of the] individual's rights under the arrangement is—
 
$$(16 \times \text{PE}) + \text{LSE}$$

where—

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PE is the annual rate of the pension which would, on the valuation assumptions, be payable to the individual under the arrangement if the individual became entitled to payment of it at the end of the pension input period, and

LSE is the amount of the lump sum to which the individual would, on the valuation assumptions, be entitled under the arrangement (otherwise than by commutation of pension) if the individual became entitled to the payment of it at that time.]

[<sup>F608</sup>(5A) If, during the pension input period, minimum payments are made under—

- (a) section 8 of the Pension Schemes Act 1993, or
- (b) section 4 of the Pension Schemes (Northern Ireland) Act 1993,

in relation to the individual in connection with the arrangement, their amount is to be subtracted from what would otherwise be the pension input amount in the case of the individual in respect of the arrangement.

[<sup>F609</sup>(5B) The pension input amount in respect of the arrangement is nil where—

- (a) subsection (5BA) or (5BB) applies and the value of the relevant rights of the individual under the arrangement does not increase during the pension input period by more than—
  - (i) the relevant percentage, plus
  - (ii) the relevant statutory increase percentage, or
- (b) subsection (5BC) applies.

(5BA) This subsection applies where the individual—

- (a) is, throughout the pension input period, a deferred member of the pension scheme that the arrangement is under,
- (b) is such a deferred member for part of the pension input period and a pensioner member for the rest of it, or
- (c) would meet the condition in paragraph (a) or (b) if the arrangement were the only arrangement under the pension scheme relating to the individual.

(5BB) This subsection applies where—

- (a) during the pension input period there is a transfer of all the sums or assets held for the purposes of, or representing accrued rights under, the arrangement so as to become held for the purposes of, or to represent rights under—
  - (i) a registered pension scheme, or
  - (ii) a qualifying recognised overseas pension scheme,in connection with the individual,
- (b) the individual is a deferred member of the pension scheme that the arrangement is under from the beginning of the pension input period until the transfer (or would be if the arrangement were the only arrangement under the pension scheme relating to that individual), and
- (c) rights do not accrue under the arrangement to or in respect of the individual during so much of the pension input period as falls after the transfer.

(5BC) This subsection applies where—

- (a) the arrangement (“the annuity arrangement”) is a defined benefits arrangement under an annuity contract which is treated as a registered pension scheme under section 153(8),

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- (b) throughout the pension input period the annuity arrangement (or a predecessor arrangement) includes provision for the relevant rights of the individual to increase at an annual rate (“the annuity rate”) which—
- (i) was specified in the contract (or in the rules of a predecessor registered pension scheme) on 14 October 2010, or
  - (ii) is the CPI percentage or the RPI percentage, and
- (c) the value of the relevant rights of the individual does not increase during the pension input period at an annual rate greater than the annuity rate plus the relevant statutory increase percentage.
- (5BD) In determining for the purposes of this section whether or not a member of a pension scheme is a deferred member (see particularly the definition of “active member” in section 151(2)), arrangements made under the pension scheme for benefits to accrue, as a consequence of (and immediately after) a relevant inward transfer (as defined in section 236(5)) to or in respect of that member, are to be disregarded—
- (a) if condition B in section 236(5A) is met in relation to the accrual of benefits under the arrangements, or
  - (b) so far as the accrual of benefits under the arrangements is to be a subtractable increase in the annual rate of the pension, or the amount of the lump sum, to which the individual would be entitled under the defined benefits arrangement.
- (5BE) In subsection (5BD) “subtractable increase” means an increase which falls to be subtracted from PE or LSE by virtue of section 236(5A)(b).]
- (5C) In this section—
- “<sup>F610</sup>CPI percentage” means the percentage mentioned in paragraph (c) of the definition of “the relevant percentage” (see below)]
- “guaranteed minimum pension” has the meaning given by—
- (a) section 8(2) of the Pension Schemes Act 1993, or
  - (b) section 4(2) of the Pension Schemes (Northern Ireland) Act 1993;
- “predecessor arrangement”, in relation to an arrangement, means another arrangement (under the same or another registered pension scheme) from which some or all of the sums or assets held for the purposes of the arrangement directly or indirectly derive;
- “predecessor registered pension scheme”, in relation to a pension scheme, means another registered pension scheme from which some or all of the sums or assets held for the purposes of the arrangement under the pension scheme directly or indirectly derive;
- “<sup>F611</sup>the relevant percentage” means—
- (a) where throughout the pension input period the arrangement (or a predecessor arrangement) includes provision for the value of the relevant rights of the individual to increase at an annual rate, which is an RPI-related rate, specified in the rules of the pension scheme (or a predecessor registered pension scheme) on 6 April 2012, that rate,
  - (b) where throughout the pension input period the arrangement (or a predecessor arrangement) includes provision for the value of the relevant rights of the individual to increase at an annual rate, other than an RPI-related rate, specified in the rules of the pension scheme (or a predecessor registered pension scheme) on 14 October 2010, that rate, and



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- (c) in a case not falling within paragraph (a) or (b), the percentage by which the consumer prices index for a month falling within the pension input period and nominated by the scheme administrator is higher than it was for the same month in the previous period of 12 months (or nil per cent if it is not higher);]

“the relevant rights of the individual” means rights of the individual under the arrangement, other than any rights to a guaranteed minimum pension;

[<sup>F612</sup>“the relevant statutory increase percentage” in relation to a pension input period means the percentage increase in the value of the individual’s rights under the arrangement during the pension input period so far as it is attributable solely to one or more of the following—

- (a) an increase in accordance with section 15 of the Pension Schemes Act 1993 or section 11 of the Pension Schemes (Northern Ireland) Act 1993 (increase of guaranteed minimum where commencement of guaranteed minimum pension postponed);
- (b) a revaluation in accordance with section 16 of the Pension Schemes Act 1993 or section 12 of the Pension Schemes (Northern Ireland) Act 1993 (early leavers: revaluation of earning factors);
- (c) a revaluation in accordance with Chapter 2 of Part 4 of the Pension Schemes Act 1993 or the Pension Schemes (Northern Ireland) Act 1993 (early leavers: revaluation of accrued benefits);
- (d) a revaluation in accordance with Chapter 3 of Part 4 of the Pension Schemes Act 1993 or the Pension Schemes (Northern Ireland) Act 1993 (early leavers: protection of increases in guaranteed minimum pensions);
- (e) the application of section 67 of the Equality Act 2010 (sex equality rule for occupational pension schemes);

“RPI percentage” means the percentage by which the retail prices index for a month falling within the pension input period and nominated by the scheme administrator is higher than it was for the same month in the previous period of 12 months (or nil per cent if it is not higher);

“RPI-related rate” (in the definition of “the relevant percentage”) means—

- (a) a rate produced solely by movement in the retail prices index, or
- (b) a rate which (however expressed) is the lower of such a rate and a percentage figure;]

“specified”, in relation to an annual rate, means specified as a percentage figure or as a percentage produced by movement in an index (or a combination of the two) but does not include a percentage produced by the exercise of a discretion by any person.

- (6) Section 235 (uprating of opening value)[<sup>F613</sup>, section 236 (adjustments of closing value) and section 236A (post-entitlement enhancements)] supplement this section.]

#### Textual Amendments

**F605** Word in s. 234(4) formula substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 10\(2\)\(a\)](#)

**F606** Words in s. 234(4) substituted (with effect in accordance with art. 2(c) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [15\(a\)](#)

**F607** Word in s. 234(5) formula substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 10\(3\)](#)

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- F608** S. 234(5A)-(5C) inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by Finance Act 2011 (c. 11), **Sch. 17 para. 10(4)**
- F609** S. 234(5B)-(5BE) substituted for s. 234(5B) (with effect in accordance with arts. 2(c), 3(2) of the amending S.I.) by The Finance Act 2004 (Registered Pension Schemes and Annual Allowance Charge) (Amendment) Order 2015 (S.I. 2015/80), arts. 1, **15(b)**
- F610** Words in s. 234(5C) inserted (with effect in accordance with art. 2(c) of the amending S.I.) by The Finance Act 2004 (Registered Pension Schemes and Annual Allowance Charge) (Amendment) Order 2015 (S.I. 2015/80), arts. 1, **15(c)(i)**
- F611** Words in s. 234(5C) substituted (with effect in accordance with art. 2(c) of the amending S.I.) by The Finance Act 2004 (Registered Pension Schemes and Annual Allowance Charge) (Amendment) Order 2015 (S.I. 2015/80), arts. 1, **15(c)(ii)**
- F612** Words in s. 234(5C) inserted (with effect in accordance with art. 2(c) of the amending S.I.) by The Finance Act 2004 (Registered Pension Schemes and Annual Allowance Charge) (Amendment) Order 2015 (S.I. 2015/80), arts. 1, **15(c)(iii)**
- F613** Words in s. 234(6) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by Finance Act 2011 (c. 11), **Sch. 17 para. 10(5)**

#### **Modifications etc. (not altering text)**

- C102** Ss. 230-237 modified (21.7.2009) by Finance Act 2009 (c. 10), **Sch. 35 para. 5(2)**
- C108** S. 234 applied (with modifications) (6.4.2006) by The Registered Pension Schemes (Restriction of Employers Relief) Regulations 2005 (S.I. 2005/3458), regs. 1(1), **7** (with regs. 2-4)
- C109** S. 234 modified (1.4.2015) by The Teachers' Pension Scheme (Consequential Provisions) Regulations 2015 (S.I. 2015/436), regs. 1(2), **15(2)(3)** (with reg. 15(1))
- C110** S. 234 applied (with modifications) (N.I.) (1.4.2015) by The Teachers' Pension Scheme (Consequential Provisions) Regulations (Northern Ireland) 2015 (S.R. 2015/170), regs. 1, **14(2)**
- C111** S. 234 modified (S.) (1.4.2015) by The National Health Service Pension Scheme (Consequential Provisions) (Scotland) Regulations 2015 (S.S.I. 2015/145), regs. 1(2), **15(2)(3)** (with reg. 15(1))
- C112** S. 234 modified (S.) (1.4.2015) by The Police Pensions (Consequential Provisions) (Scotland) Regulations 2015 (S.S.I. 2015/118), regs. 1(3), **15(2)(3)** (with reg. 15(1))
- C113** S. 234 modified (S.) (1.4.2015) by The Teachers' Pension Scheme (Consequential Provisions) (Scotland) Regulations 2015 (S.S.I. 2015/146), regs. 1(2), **15(2)(3)** (with reg. 15(1))
- C114** S. 234 modified (S.) (1.4.2015) by The Firefighters' Pension Scheme (Consequential Provisions) (Scotland) Regulations 2015 (S.S.I. 2015/117), regs. 1(3), **14(2)(3)** (with reg. 14(1))
- C115** S. 234 modified (1.4.2015) by The Police Pensions (Consequential Provisions) Regulations 2015 (S.I. 2015/370), regs. 1(2), **15(2)(3)**
- C116** S. 234 applied (with modifications) (1.4.2015) by The National Health Service Pension Scheme (Consequential Provisions) Regulations 2015 (S.I. 2015/432), regs. 1(2), **15(2)**
- C117** S. 234 modified (W.) (1.4.2015) by The Firefighters Pension Scheme (Wales) (Consequential Provisions) Regulations 2015 (S.I. 2015/848), regs. 1(2), **14(2)(3)** (with reg. 14(1))
- C118** S. 234 modified (1.4.2015) by The Firefighters' Pension Scheme (England) (Consequential Provisions) Regulations 2015 (S.I. 2015/319), regs. 1(2), **14(2)(3)**
- C119** S. 234 applied (with modifications) (N.I.) (1.4.2015) by The Public Service (Civil Servants and Others) Pensions (Consequential Provisions) Regulations (Northern Ireland) 2015 (S.R. 2015/81), regs. 1(1), **14(2)**
- C120** S. 234 applied (with modifications) (N.I.) (1.4.2015) by The Health Service Workers (Consequential Provisions) Regulations (Northern Ireland) 2015 (S.R. 2015/167), regs. 1, **14(2)**
- C121** S. 234 applied (with modifications) (N.I.) (1.4.2015) by The Police Pensions (Consequential Provisions) Regulations (Northern Ireland) 2015 (S.R. 2015/156), regs. 1(2), **14(2)**
- C122** S. 234 modified (1.4.2015) by The Public Service (Civil Servants and Others) Pensions (Consequential and Amendment) Regulations 2015 (S.I. 2015/372), regs. 1(2), **15(2)(3)**
- C123** S. 234 applied (with modifications) (N.I.) (1.4.2015) by The Firefighters' Pension Scheme (Consequential Provisions) Regulations (Northern Ireland) 2015 (S.R. 2015/166), regs. 1, **13(2)**

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- C124** S. 234 modified (1.4.2015) by [The Armed Forces Pension \(Consequential Provisions\) Regulations 2015 \(S.I. 2015/390\)](#), regs. 1(2), **15(2)** (with reg. 15(1))
- C125** S. 234(1) modified (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), **Sch. 35 para. 5(1)**
- C126** S. 234(4)(5) applied (with modifications) (19.7.2011) by [Finance Act 2011 \(c. 11\)](#), **Sch. 17 para. 28(6)**

#### Commencement Information

- I86** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

### 235 Defined benefits arrangements: uprating of opening value

- (1) This section applies for adjusting the opening value of the individual's rights as calculated under section 234(4) <sup>F614</sup>....
- (2) The opening value is to be increased by the appropriate percentage.
- [<sup>F615</sup>(3) The appropriate percentage is the percentage (if any) by which the consumer prices index for the September before the start of the tax year is higher than it was for the previous September.]

#### Textual Amendments

- F614** Words in s. 235(1) omitted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), **Sch. 17 para. 11(2)**
- F615** S. 235(3) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 17 para. 11(3)**

#### Modifications etc. (not altering text)

- C102** Ss. 230-237 modified (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), **Sch. 35 para. 5(2)**
- C127** S. 235 modified (6.4.2006) by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\) Regulations 2006 \(S.I. 2006/207\)](#), regs. 1(1), **10** (as amended (with effect in accordance with reg. 1(7) of the amending S.I.) by [S.I. 2011/1751](#), regs. 1(1), **12(4)**)

#### Commencement Information

- I87** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

### 236 Defined benefits arrangements: adjustments of closing value

- (1) This section applies for adjusting [<sup>F616</sup>PE and LSE] under section 234(5).
- (2) If, during the pension input period, the [<sup>F617</sup>annual rate of the pension, or the amount of the lump sum, to which the individual would be entitled under the arrangement has] been reduced by having become subject to a pension debit, the amount of [<sup>F618</sup>the reduction] is to be added [<sup>F619</sup>to PE or LSE].
- (3) If, during the pension input period, the [<sup>F620</sup>annual rate of the pension, or the amount of the lump sum, to which the individual would be entitled under the arrangement has] been increased by the individual having become entitled to a pension credit deriving from the same or another registered pension scheme, the amount of [<sup>F621</sup>the increase] is to be subtracted [<sup>F622</sup>from PE or LSE].

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[<sup>F623</sup>(4) [<sup>F624</sup>In subsection (4A) “relevant outward transfer means] a transfer relating to the individual of any sums or assets held for the purposes of, or representing accrued rights under, the arrangement so as to become held for the purposes of, or to represent rights under, any pension scheme that is—

- (a) a registered pension scheme, or
- (b) a qualifying recognised overseas pension scheme,

<sup>F625</sup> ...

[<sup>F626</sup>(4A) If there is a relevant outward transfer during the pension input period, then—

- (a) if condition A is met, and there has been a reduction in the annual rate of the pension or a reduction in the amount of the lump sum to which the individual would be entitled under the arrangement, as a consequence (whether direct or indirect) of the relevant outward transfer, the amount of that reduction is to be added to PE or LSE, so far as that amount is reflected in the reduction in the value of benefits mentioned in paragraph (b) of condition A;
- (b) if condition A is not met but the annual rate of the pension, or the amount of the lump sum, to which the individual would be entitled under the arrangement has been reduced by reason of the relevant outward transfer, the amount of that reduction is to be added to PE or LSE.

Condition A is that—

- (a) the relevant outward transfer (“the transfer”) takes place within a block transfer,
- (b) the value of the benefits to be paid to or in respect of the individual under the arrangement has been reduced and the value of the benefits to be paid to or in respect of the individual under the pension scheme mentioned in subsection (4) has been increased, as a consequence (whether direct or indirect) of the transfer,
- (c) the amount of that reduction is equal (or virtually equal) to the amount of that increase, and
- (d) the transfer is not part of an arrangement the main purpose (or one of the main purposes) of which is the avoidance of tax.]

(5) [<sup>F627</sup>In subsection (5A) “relevant inward transfer means] a transfer relating to the individual of any sums or assets held for the purposes of, or representing accrued rights under, any pension scheme so as to become held for the purposes of, or to represent rights under, the arrangement <sup>F628</sup>....]

[<sup>F629</sup>(5A) If there is a relevant inward transfer during the pension input period, then—

- (a) if condition B is met, and there has been an increase in the annual rate of the pension or an increase in the amount of the lump sum to which the individual would be entitled under the arrangement, as a consequence (whether direct or indirect) of the relevant inward transfer, the amount of that increase is to be subtracted from PE or LSE, so far as that amount is reflected in the increase in the value of benefits mentioned in paragraph (b) of condition B;
- (b) if condition B is not met but the annual rate of the pension, or the amount of the lump sum, to which the individual would be entitled under the arrangement has been increased by reason of the relevant inward transfer, the amount of that increase is to be subtracted from PE or LSE.

Condition B is that-

- (a) the relevant inward transfer (“the transfer”) took place within a block transfer,

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- (b) the value of the benefits to be paid to or in respect of the individual under the arrangement has been increased, and the value of the benefits to be paid to or in respect of the individual under the pension scheme mentioned in subsection (5) has been reduced, as a consequence (whether direct or indirect) of the transfer,
- (c) the amount of that increase in value is equal (or virtually equal) to the amount of that reduction, and
- (d) the transfer is not part of an arrangement the main purpose (or one of the main purposes) of which is the avoidance of tax.

(5B) For the purposes of Condition A in subsection (4A) and Condition B in subsection (5A)

- (a) normal actuarial practice must be used when determining and comparing the amount of a reduction, and the amount of an increase, in the value of benefits to be paid to or in respect of the individual,
- (b) the amount of a reduction or increase in the value of benefits to be paid to or in respect of the individual under the arrangement is the difference between the value of those benefits under that arrangement immediately before the transfer and immediately after the transfer, and
- (c) the amount of an increase or reduction in the value of benefits to be paid to or in respect of an individual under a pension scheme is the difference between the value of those benefits under that pension scheme immediately before and immediately after the transfer.

(5C) In subsections (4A) and (5A)—

“block transfer” means a transfer which involves the transfer in a single transaction of all the sums or assets held for the purposes of, or representing accrued rights under, the arrangements under a pension scheme which relate to the individual and at least one other member of that pension scheme so as to become held for the purposes of, or to represent rights under, any pension scheme.]

[<sup>F630</sup>(5D) For the purposes of subsections (4A) and (5A), the annual rate of the pension, or the amount of the lump sum, to which the individual would be entitled under the arrangement has been reduced or increased, as the case may be, “by reason of” a transfer of sums or assets only where that reduction or increase is solely attributable to the value of those sums or assets.]

[<sup>F631</sup>(8) If, during the pension input period, the annual rate of the pension, or the amount of the lump sum, to which the individual would be entitled under the arrangement has been reduced by any surrender made in return for any other entitlement, any allocation made, or any similar action taken, pursuant to an option available to the individual under the arrangement, the amount of the reduction (to the extent that it is not reflected in an amount added under subsection (8A)) is to be added to PE or LSE.

(8A) If, during the pension input period—

- (a) benefit crystallisation event 2 occurs in relation to the individual and the arrangement,
- (b) benefit crystallisation event 3 occurs in relation to the individual and the arrangement otherwise than by reason of a provision contained in, or made under, any enactment, or

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- (c) benefit crystallisation event 6 occurs in relation to the individual and the arrangement by virtue of the individual becoming entitled to a pension commencement lump sum or a lifetime allowance excess lump sum, the relevant amount is to be added to PE or LSE.
- (8B) In subsection (8A) “the relevant amount” is—
- (a) in the case of benefit crystallisation event 2, the annual rate of the pension to which the individual became entitled,
  - (b) in the case of benefit crystallisation event 3, the increase in the annual rate of the pension, and
  - (c) in the case of benefit crystallisation event 6, the amount of the lump sum.
- (8C) If, during the pension input period, an adjustment to the annual rate of the pension, or the amount of the lump sum, to which the individual would be entitled under the arrangement has been made in consequence of the scheme administrator satisfying a liability under section 237B in respect of the individual, if and to the extent that the adjustment is reflected in PE or LSE the amount of the adjustment is to be added to PE or LSE.
- (8D) But no amount is to be added under subsection (8C) by reason of an adjustment made in consequence of the scheme administrator satisfying a liability under section 237B <sup>F632</sup>in a case where—
- (a) the individual becomes actually entitled to all of the individual’s benefits under the pension scheme or benefit crystallisation event 5, 5A or 5B occurs in relation to the individual and the pension scheme, and
  - (b) the adjustment takes place after the individual becomes so entitled or the benefit crystallisation event occurs.]]

<sup>F633</sup>(9) .....

#### Textual Amendments

- F616** Words in s. 236(1) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 12\(2\)](#)
- F617** Words in s. 236(2) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 12\(3\)\(a\)](#)
- F618** Words in s. 236(2) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 12\(3\)\(b\)](#)
- F619** Words in s. 236(2) inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 12\(3\)\(c\)](#)
- F620** Words in s. 236(3) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 12\(4\)\(a\)](#)
- F621** Words in s. 236(3) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 12\(4\)\(b\)](#)
- F622** Words in s. 236(3) inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 12\(4\)\(c\)](#)
- F623** S. 236(4)(5) substituted for s. 236(4)-(7) (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 12\(5\)](#)
- F624** Words in s. 236(4) substituted (with effect in accordance with arts. 2(d), 3(5) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [16\(a\)\(i\)](#)

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- F625** Words in s. 236(4) omitted (with effect in accordance with arts. 2(d), 3(5) of the amending S.I.) by virtue of [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **16(a)(ii)**
- F626** S. 236(4A) inserted (with effect in accordance with arts. 2(d), 3(5) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **16(b)**
- F627** Words in s. 236(5) substituted (with effect in accordance with art. 2(d) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **16(c)(i)**
- F628** Words in s. 236(5) omitted (with effect in accordance with art. 2(d) of the amending S.I.) by virtue of [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **16(c)(ii)**
- F629** S. 236(5A)-(5C) inserted (with effect in accordance with art. 2(d) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **16(d)**
- F630** S. 236(5D) inserted (with effect in accordance with art. 3(6) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **16(e)**
- F631** S. 236(8)-(8D) substituted for s. 236(8) (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 17 para. 12(6)**
- F632** Words in s. 236(8D) substituted (with effect in accordance with art. 7 of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **16(f)**
- F633** S. 236(9) omitted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), **Sch. 17 para. 12(7)**

#### **Modifications etc. (not altering text)**

- C102** Ss. 230-237 modified (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), **Sch. 35 para. 5(2)**
- C128** S. 236 applied (with modifications) (6.4.2006) by [The Registered Pension Schemes \(Restriction of Employers Relief\) Regulations 2005 \(S.I. 2005/3458\)](#), regs. 1(1), **7** (with regs. 2-4)
- C129** S. 236 applied (with modifications) (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), **Sch. 35 para. 6(6)**

#### **Commencement Information**

- I88** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

### **[<sup>F634</sup>236A] Post-entitlement enhancements**

- (1) This section applies in relation to the arrangement if, during the pension input period (“the affected pension input period”), the individual enters into a scheme for the making of an avoidance-inspired post-entitlement enhancement.
- (2) A “post-entitlement enhancement” is an increase in the annual rate of a scheme pension under the arrangement, at a time after the member has become entitled to the scheme pension.
- (3) A post-entitlement enhancement is “avoidance-inspired” if the main purpose, or one of the main purposes, of the individual in entering into the scheme was to avoid or reduce a liability to the annual allowance charge.
- (4) This Part has effect in relation to the arrangement and the individual, as respects the affected pension input period and all subsequent pension input periods, as if—
  - (a) section 234 were modified in accordance with subsection (5), and

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- (b) sections 235 and 236 were omitted.
- (5) The modifications of section 234 are that—
- (a) in subsection (4), for the words after “the arrangement is” there are substituted “ such amount as, applying normal actuarial practice, is the expected cost of giving effect to the individual's rights under the arrangement at the end of the immediately preceding pension input period (or is nil if the pension input period is the first pension input period of the arrangement). ”,
  - (b) in subsection (5), for the words after “the arrangement is” there are substituted “ such amount as, applying normal actuarial practice, is the expected cost of giving effect to the individual's rights under the arrangement at the end of the pension input period. ”, and
  - (c) subsection (6) is omitted.
- (6) In this section “scheme” includes any arrangements, agreement, understanding, transaction or series of transactions (whether or not legally enforceable).]

#### Textual Amendments

**F634** S. 236A inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 13](#)

### 237 Hybrid arrangements

- (1) The pension input amount in respect of a hybrid arrangement is the greater or greatest of such of input amounts A, B and C as are relevant input amounts.
- (2) An input amount is a relevant input amount in the case of a hybrid arrangement if, in any circumstances, the benefits that may be provided to or in respect of the individual under the arrangement may be benefits of the variety mentioned in the definition of that input amount.
- (3) Input amount A is what would be the pension input amount under sections 230 to 232 if the benefits provided to or in respect of the individual under the arrangement were cash balance benefits.
- (4) Input amount B is what would be the pension input amount under section 233 if the benefits provided to or in respect of the individual under the arrangement were other money purchase benefits.
- (5) Input amount C is what would be the pension input amount under sections 234 to <sup>[F635]</sup>236A] if the benefits provided to or in respect of the individual under the arrangement were defined benefits.

#### Textual Amendments

**F635** Word in s. 237(5) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 14](#)

#### Modifications etc. (not altering text)

**C102** Ss. 230-237 modified (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), [Sch. 35 para. 5\(2\)](#)

**C130** S. 237 applied (with modifications) (6.4.2006) by [The Registered Pension Schemes \(Restriction of Employers Relief\) Regulations 2005 \(S.I. 2005/3458\)](#), regs. 1(1), **8** (with regs. 2-4)



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### Commencement Information

**I89** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## [<sup>F636</sup>237ZA] Pension input amounts for input periods ending in 2015-16

- (1) This section applies where the tax year is the pre-alignment tax year or the post-alignment tax year (see section 228C(2)).

*Modified rules for cash balance, or defined benefits, arrangement*

- (2) The rules for calculating the pension input amount in respect of a cash balance arrangement, or a defined benefits arrangement, are modified as follows (and the rules for calculating the pension input amount in respect of a hybrid arrangement have effect accordingly).

*Single input amount to be calculated for combined period*

- (3) The pension input amount in respect of the arrangement is the time-apportioned percentage of any increase in the value of the individual's rights under the arrangement during the period (“the combined period”) that consists of the combination of all pension input periods of the arrangement that end—
- (a) on or after 6 April 2015 but on or before 8 July 2015, or
  - (b) on 5 April 2016.
- (4) To calculate the increase (if any) in the value of the individual's rights under the arrangement during the combined period, apply (as the case may be) sections 230 to 232 (except section 230(1)), or sections 234 to 236A (except section 234(1)), as if—
- (a) references to the pension input period were references to the combined period,
  - (b) the combined period were a pension input period of the arrangement,
  - (c) 2.5% were the appropriate percentage specified in section 231(3) or 235(3), and
  - (d) 2.5% were the percentage mentioned in paragraph (c) of the definition of “relevant percentage” given by section 230(5C) or 234(5C),
- but paragraph (d) does not have effect for the purposes of the definition of “CPI percentage” given by section 234(5C).

*Apportioning input amount for combined period to tax years*

- (5) “The time-apportioned percentage” for the post-alignment tax year is—

$$272 D \times 100$$

and “the time-apportioned percentage” for the pre-alignment tax year is—

$$D - 272 D \times 100$$

where D is the number of days in the combined period.

*Calculation and apportionment rules modified in certain cases*

- (6) Subsections (3) to (5) have effect subject to the following provisions of this section.

*Exceptions in certain cases where individual is deferred member of scheme*

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- (7) Subsections (3) to (5) do not apply, and subsections (8) and (9) apply instead, if—
- (a) because of section 238ZA(2), a pension input period for the arrangement ends with 8 July 2015,
  - (b) another pension input period for the arrangement ends with a day (“the unchanged last day”) after 5 April 2015 but before 8 July 2015, and
  - (c) section 230(5B) or 234(5B), when applied separately to each of—
    - (i) the pension input period for the arrangement ending with 8 July 2015, and
    - (ii) the pension input period for the arrangement ending with 5 April 2016,
 gives the result that the pension input amount in respect of the arrangement for each of those periods is nil.
- (8) The pension input amount in respect of the arrangement for the post-alignment tax year is nil.
- (9) The pension input amount in respect of the arrangement for the pre-alignment tax year is the amount which would be the pension input amount in respect of the arrangement for the pre-alignment tax year if—
- (a) the pension input period ending with the unchanged last day were the only pension input period for the arrangement ending in the pre-alignment tax year, and
  - (b) subsections (3) to (5) were ignored.

*Modifications in some other cases where individual is deferred member of scheme*

- (10) Subsections (11) to (13) apply if—
- (a) because of section 238ZA(2), a pension input period for the arrangement ends with 8 July 2015,
  - (b) apart from section 238ZA(2), that pension input period (“the cut-short period”) would have ended with a day (“the original last day”) after 8 July 2015 but before 5 April 2016,
  - (c) at or after the beginning of the cut-short period but not later than the original last day, or in an earlier pension input period for the arrangement, the individual becomes a deferred member of the pension scheme that the arrangement is under, and
  - (d) were the period—
    - (i) beginning with the day after the original last day, and
    - (ii) ending with 5 April 2016,
 a pension input period for the arrangement, the pension input amount in respect of the arrangement for that period would be nil by virtue of section 230(5B) or 234(5B).
- (11) Subsections (3) to (5) have effect as if the original last day, and not 5 April 2016, were the last day of the combined period (so that, in particular, D in subsection (5) is the number of days in the combined period as so shortened).
- (12) If the individual becomes a deferred member of the pension scheme in a pension input period for the arrangement earlier than the cut-short period—
- (a) the time-apportioned percentage for the post-alignment tax year is treated as being nil, and

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- (b) the time-apportioned percentage for the pre-alignment tax year is treated as being 100.
- (13) If the individual becomes a deferred member of the pension scheme at or after the beginning of the cut-short period but not later than the original last day, subsection (5) has effect as if for “ 272 ”, in each place, there were substituted the number of days in the period beginning with 9 July 2015 and ending with the original last day.

*Modification where first input period ends with 5 April 2016*

- (14) If the first pension input period for the arrangement ends with 5 April 2016—
- (a) the time-apportioned percentage for the post-alignment tax year is treated as being 100, and
  - (b) the time-apportioned percentage for the pre-alignment tax year is treated as being nil.

*Modification where last input period ends before 9 July 2015*

- (15) If the last pension input period for the arrangement ends after 5 April 2015 but before 9 July 2015—
- (a) the time-apportioned percentage for the post-alignment tax year is treated as being nil, and
  - (b) the time-apportioned percentage for the pre-alignment tax year is treated as being 100.

*Alternative modifications where individual is deferred member of scheme*

- (16) Subsections (17) and (18) apply if—
- (a) subsections (8) and (9) do not apply,
  - (b) subsections (11) to (13) do not apply,
  - (c) subsection (14) does not apply, and
  - (d) section 230(5B) or 234(5B), when applied separately to each of—
    - (i) so much of the combined period as consists of the post-alignment tax year, and
    - (ii) the remainder of the combined period (for this purpose treating that remainder as a single pension input period if not otherwise the case),gives the result that the pension input amount in respect of the arrangement for one (but not the other) of those parts of the combined period is nil.
- (17) If the nil result is for so much of the combined period as consists of the post-alignment tax year—
- (a) the time-apportioned percentage for the post-alignment tax year is treated as being nil, and
  - (b) the time-apportioned percentage for the pre-alignment tax year is treated as being 100.
- (18) If the nil result is for so much of the combined period as precedes 9 July 2015—
- (a) the time-apportioned percentage for the pre-alignment tax year is treated as being nil, and
  - (b) the time-apportioned percentage for the post-alignment tax year is treated as being 100.]

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#### Textual Amendments

**F636** S. 237ZA inserted (18.11.2015) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [Sch. 4 para. 9](#)

### [<sup>F637</sup>237A] **Liability of individual**

- (1) The individual is liable to the annual allowance charge.
- (2) The individual is liable to the annual allowance charge whether or not—
  - (a) the individual, and
  - (b) the scheme administrator of the pension scheme or pension schemes concerned,
 are resident<sup>F638</sup>... or domiciled in the United Kingdom.

#### Textual Amendments

**F637** Ss. 237A-237F inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 15](#)

**F638** Words in s. 237A(2) omitted (with effect in accordance with Sch. 46 para. 132 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 46 para. 128](#)

### **237B Liability of scheme administrator**

- (1) This section applies if—
  - (a) the amount of the individual's liability to the annual allowance charge for a tax year exceeds £2,000, and
  - (b) the pension scheme input amount in the case of the individual in relation to a registered pension scheme for the tax year exceeds the amount of the annual allowance specified in section 228(1) for the tax year.
- (2) The pension scheme input amount in the case of the individual in relation to a pension scheme for a tax year is the aggregate of the pension input amounts for the tax year in respect of arrangements relating to the individual under the pension scheme.
 

[ If the chargeable amount for the tax year in the individual's case is the alternative

<sup>F639</sup>(2A) chargeable amount, each of the following is treated as being a reference to the amount that the annual allowance charge for the tax year would be in the individual's case if the chargeable amount were the default chargeable amount—

  - (a) the reference in subsection (1)(a) to the amount of the individual's liability to the annual allowance charge for the tax year, and
  - (b) the reference in subsection (3) to the annual allowance charge arising in the case of the individual.]
  - (3) The individual may give a notice to the scheme administrator of the pension scheme specifying that the individual and the scheme administrator are to be jointly and severally liable in respect of so much of the annual allowance charge arising in the case of the individual as—
    - (a) does not exceed the amount of the annual allowance charge which would be chargeable on the excess mentioned in subsection (1)(b) if it were charged at the relevant rate, and

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(b) is specified in the notice,  
("the joint liability amount").

(4) In subsection (3)(a) "the relevant rate" means—

- (a) in relation to so much of the excess as does not exceed the amount (if any) on which tax is chargeable in the case of the individual for the tax year at the additional rate <sup>F640</sup>... by virtue of paragraph (c) of subsection (4A) of section 227, the additional rate <sup>F641</sup>...
- (b) in relation to so much of the excess as is not within paragraph (a) and does not exceed the amount (if any) on which tax is so chargeable at the higher rate <sup>F642</sup>... by virtue of paragraph (b) of that subsection, the higher rate <sup>F643</sup>... , and
- (c) in relation to any remaining part of the excess, the basic rate <sup>F644</sup>...

[<sup>F645</sup>But subsection (4A) applies in the case of a Scottish taxpayer][<sup>F646</sup>and subsection (4B) applies in the case of a Welsh taxpayer].

[ In the case of a Scottish taxpayer, the "relevant rate" in subsection (3)(a) means—

- <sup>F647</sup>(4A) (a) where the only Scottish rate is the Scottish basic rate, that rate;
- (b) where there is more than one Scottish rate—
  - (i) the highest Scottish rate in relation to so much of the excess as does not exceed the amount (if any) on which tax is chargeable in the case of the individual at that rate by virtue of section 227(4AA)(b)(ii) or (iii),
  - (ii) the next highest Scottish rate in relation to so much of the excess as is not within sub-paragraph (i) and does not exceed the amount (if any) on which tax is so chargeable by virtue of section 227(4AA)(b) (i), (ii) or (iii),
  - (iii) if there is one, the next highest Scottish rate in relation to so much of the excess as is not within sub-paragraph (i) or (ii) and does not exceed the amount (if any) on which tax is so chargeable by virtue of section 227(4AA)(b)(i), (ii) or (iii),

and so on.]

[ In the case of a Welsh taxpayer, the "relevant rate" in subsection (3)(a) means—

- <sup>F648</sup>(4B) (a) in relation to so much of the excess as does not exceed the amount (if any) on which tax is chargeable in the case of the individual for the tax year at the Welsh additional rate by virtue of paragraph (c) of subsection (4AB) of section 227, the Welsh additional rate,
- (b) in relation to so much of the excess as is not within paragraph (a) and does not exceed the amount (if any) on which tax is so chargeable at the Welsh higher rate by virtue of paragraph (b) of that subsection, the Welsh higher rate, and
- (c) in relation to the remaining part of the excess, the Welsh basic rate.]

(5) The notice—

- (a) must be given not later than 31 July in the year following that in which the tax year ends (but subject to subsection (6)),
- (b) must be made in such manner and form, and contain such particulars, as may be prescribed by regulations made by the Commissioners for Her Majesty's Revenue and Customs, and
- (c) may be amended by giving the scheme administrator notice in accordance with provision made by regulations made by the Commissioners for Her Majesty's Revenue and Customs but may not be revoked.

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- (6) [<sup>F649</sup>A notice may not be given after] the individual becomes actually entitled to all of the individual's benefits under the pension scheme <sup>F650</sup>... or benefit crystallisation event 5, 5A or 5B occurs <sup>F650</sup>... in relation to the individual and the pension scheme, <sup>F651</sup>....
- (7) On receipt by the scheme administrator of the notice the scheme administrator and the individual become jointly and severally liable to pay the joint liability amount, but subject to sections 237C and 237D and to any amendment made to the notice in accordance with regulations under subsection (5)(c).
- (8) The scheme administrator is liable under subsection (7) whether or not—
- (a) the individual, and
  - (b) the scheme administrator,
- are resident<sup>F652</sup>... or domiciled in the United Kingdom.
- (9) Where (but for this subsection) a notice could be given to a scheme administrator of a pension scheme but, before it is given, there is a transfer of all of the sums or assets—
- (a) held for the purposes of, or
  - (b) representing accrued rights under,
- [<sup>F653</sup>arrangements relating to the individual under the pension scheme] so as to become held for the purposes of, or to represent rights under, another registered pension scheme, the notice may not be given to that scheme administrator but may instead be given to the scheme administrator of that other pension scheme.
- (10) The Treasury may by regulations make provision modifying the operation of this section in other cases in which there is a transfer of any of the sums or assets—
- (a) held for the purposes of, or
  - (b) representing accrued rights under,
- the pension scheme so as to become held for the purposes of, or to represent rights under, another registered pension scheme.
- (11) The Treasury may by order amend paragraph (a) of subsection (1) so as to increase the sum for the time being specified in that paragraph.

#### Textual Amendments

- F637** Ss. 237A-237F inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 15](#)
- F639** S. 237B(2A) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 68](#)
- F640** Words in s. 237B(4)(a) omitted (with effect in accordance with reg. 1(2) of the amending S.I.) by virtue of [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), [regs. 1\(1\)](#), [5\(2\)\(a\)\(i\)](#)
- F641** Words in s. 237B(4)(a) omitted (with effect in accordance with reg. 1(2) of the amending S.I.) by virtue of [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), [regs. 1\(1\)](#), [5\(2\)\(a\)\(ii\)](#)
- F642** Words in s. 237B(4)(b) omitted (with effect in accordance with reg. 1(2) of the amending S.I.) by virtue of [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), [regs. 1\(1\)](#), [5\(2\)\(b\)\(i\)](#)
- F643** Words in s. 237B(4)(b) omitted (with effect in accordance with reg. 1(2) of the amending S.I.) by virtue of [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), [regs. 1\(1\)](#), [5\(2\)\(b\)\(ii\)](#)

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- F644** Words in s. 237B(4)(c) omitted (with effect in accordance with reg. 1(2) of the amending S.I.) by virtue of [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), regs. 1(1), **5(2)(c)**
- F645** Words in s. 237B(4) inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), regs. 1(1), **5(3)**
- F646** Words in s. 237B(4) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Devolved Income Tax Rates \(Consequential Amendments\) Order 2019 \(S.I. 2019/201\)](#), arts. 1(1), **8(2)**
- F647** S. 237B(4A) inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), regs. 1(1), **5(4)**
- F648** S. 237B(4B) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Devolved Income Tax Rates \(Consequential Amendments\) Order 2019 \(S.I. 2019/201\)](#), arts. 1(1), **8(3)**
- F649** Words in s. 237B(6) substituted (with effect in accordance with art. 8 of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **17(a)(i)**
- F650** Words in s. 237B(6) omitted (with effect in accordance with art. 8 of the amending S.I.) by virtue of [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **17(a)(ii)**
- F651** Words in s. 237B(6) omitted (with effect in accordance with art. 8 of the amending S.I.) by virtue of [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **17(a)(iii)**
- F652** Words in s. 237B(8) omitted (with effect in accordance with Sch. 46 para. 132 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), **Sch. 46 para. 129**
- F653** Words in s. 237B(9) substituted (with effect in accordance with art. 9 of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **17(b)**

**Modifications etc. (not altering text)**

- C131** S. 237B(5)(a) applied (with modifications) (19.7.2011) by [Finance Act 2011 \(c. 11\)](#), **Sch. 17 para. 32**

## 237C Exceptions

- (1) The scheme administrator of a pension scheme does not become liable under section 237B if the time when the scheme administrator would become liable is during an assessment period in relation to the pension scheme; and if an assessment period in relation to a pension scheme begins at a time when the scheme administrator is already so liable (but has not satisfied the liability), the liability ceases when the assessment period begins.

References to an assessment period are to be construed in accordance with sections 132 and 159 of the Pensions Act 2004 and articles 116 and 143 of the Pensions (Northern Ireland) Order 2005 (S.I. 2005/255 (N.I. 1)).

- (2) The scheme administrator of a pension scheme is not liable under section 237B in respect of any amount if there is no power to make a consequential adjustment to the entitlement of the individual concerned to benefits under the pension scheme in respect of the amount because of section 237E(2) (inalienability of guaranteed minimum pension etc).
- (3) The Treasury may by regulations prescribe other circumstances in which a scheme administrator of a pension scheme does not become, or ceases to be, liable under section 237B.

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#### Textual Amendments

**F637** Ss. 237A-237F inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 15](#)

### **237D Discharge of scheme administrator's liability**

- (1) If the scheme administrator of a pension scheme is liable under section 237B, the scheme administrator may apply to an officer of Revenue and Customs for the discharge of the scheme administrator's liability on either of the following grounds.
- (2) The grounds are—
  - (a) that paying the amount to which the scheme administrator is liable would be to the substantial detriment of the interests of the members of the pension scheme, and
  - (b) that in all the circumstances of the case it would not be just and reasonable for the scheme administrator to be liable to that amount.
- (3) On receiving an application under subsection (1), an officer of Revenue and Customs must decide whether to discharge the scheme administrator's liability.
- (4) An officer of Revenue and Customs must notify the scheme administrator of the decision on the application.
- (5) The discharge of the scheme administrator's liability does not affect the liability of any other person in respect of the same amount.
- (6) The Treasury may by regulations amend this section so as to alter the grounds on which an application under subsection (1) may be made.
- (7) Regulations made by the Commissioners for Her Majesty's Revenue and Customs may make provision supplementing this section; and the regulations may in particular make provision as to the time limits for the making of an application.

#### Textual Amendments

**F637** Ss. 237A-237F inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 15](#)

### **237E Consequential benefit adjustments to be reasonable etc**

- (1) Where the scheme administrator of a pension scheme satisfies a liability under section 237B in respect of the individual, consequential adjustment must be made to the entitlement of the individual to benefits under the pension scheme on a basis that is just and reasonable having regard to normal actuarial practice.
- (2) Any power to make such consequential adjustment is subject to section 159 of the Pension Schemes Act 1993 or section 155 of the Pension Schemes (Northern Ireland) Act 1993 (inalienability of guaranteed minimum pension etc).



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#### Textual Amendments

**F637** Ss. 237A-237F inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 15](#)

### 237F Power to modify rules

The Commissioners for Her Majesty's Revenue and Customs may by regulations make any modification of the rules of registered pension schemes that appear appropriate to facilitate the operation of sections 237A to 237E.]

#### Textual Amendments

**F637** Ss. 237A-237F inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 15](#)

### 238 Pension input period [<sup>F654</sup>: arrangement commencing before 9 July 2015]

- (1) In the case of an arrangement under a registered pension scheme [<sup>F655</sup>where the relevant commencement date is before 9 July 2015, but subject to section 238ZA,] the following are pension input periods—
- (a) the period beginning with the relevant commencement date and ending with [<sup>F656</sup>—
    - (i) a nominated date falling before the anniversary of the relevant commencement date, or
    - (ii) if there is not such a nominated date, the first 5 April after the relevant commencement date (or, if the relevant commencement date is itself 5 April, that date), and]
  - (b) each subsequent period beginning immediately after the end of a period which is a pension input period (under paragraph (a) or this paragraph) and ending with the appropriate date.
- (2) “The relevant commencement date” means—
- (a) in the case of a cash balance arrangement or a defined benefits arrangement, or a hybrid arrangement the only benefits under which may be cash balance benefits or defined benefits, the date on which rights under the arrangement begin to accrue to or in respect of the individual,
  - (b) in the case of a money purchase arrangement other than a cash balance arrangement, the first date on which a contribution within section 233(1) is made, and
  - (c) in the case of a hybrid arrangement not within paragraph (a), whichever is the earlier of the date mentioned in that paragraph and the date mentioned in paragraph (b).
- (3) “Nominated date” means—
- (a) in the case of a money purchase arrangement other than a cash balance arrangement, such date as the individual or scheme administrator nominates, and
  - (b) in the case of any other arrangement, such date as the scheme administrator nominates.

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- (4) A nomination for the purposes of subsection (3)—
- (a) if by the individual, is to be made by notice to the scheme administrator, and
  - (b) if by the scheme administrator, is to be made by notice to the individual.
- [<sup>F657</sup>(4A) A date nominated for the purposes of subsection (3) must not be a date before that on which the nomination is made.]
- (5) If more than one date is nominated for the purposes of subsection (3)—
- (a) in relation to the period beginning with the relevant commencement date, or
  - (b) in relation to a tax year following that in which the pension input period beginning with that date ends,
- the date nominated first is the nominated date.
- (6) “The appropriate date” means <sup>F658</sup>...—
- (a) a nominated date falling in the tax year immediately after that in which the last pension input period ended, [<sup>F659</sup>or]
  - (b) [<sup>F660</sup>if there is not such a nominated date,] the anniversary of the date on which that period ended.
- (7) Once the individual has become entitled to all the benefits which may be provided to the individual under an arrangement, the last pension input period in the case of the arrangement is [<sup>F661</sup>that in which] that was first so.

#### Textual Amendments

**F654** Words in s. 238 title inserted (18.11.2015) by Finance (No. 2) Act 2015 (c. 33), Sch. 4 para. 2(a)

**F655** Words in s. 238(1) inserted (18.11.2015) by Finance (No. 2) Act 2015 (c. 33), Sch. 4 para. 2(b)

**F656** S. 238(1)(a)(i)(ii) substituted for words (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by Finance Act 2011 (c. 11), Sch. 17 para. 16(2)

**F657** S. 238(4A) inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by Finance Act 2011 (c. 11), Sch. 17 para. 16(3)

**F658** Words in s. 238(6) omitted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by virtue of Finance Act 2011 (c. 11), Sch. 17 para. 16(4)(a)

**F659** Word in s. 238(6) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by Finance Act 2011 (c. 11), Sch. 17 para. 16(4)(b)

**F660** Words in s. 238(6)(b) inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by Finance Act 2011 (c. 11), Sch. 17 para. 16(4)(c)

**F661** Words in s. 238(7) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by Finance Act 2011 (c. 11), Sch. 17 para. 16(5)

#### Modifications etc. (not altering text)

**C132** S. 238(3) modified (6.4.2006) by The Registered Pension Schemes (Splitting of Schemes) Regulations 2006 (S.I. 2006/569), regs. 1(1), 3(1)(2), Sch. 3 Pt. 1

**C133** S. 238(4) modified (6.4.2006) by The Registered Pension Schemes (Splitting of Schemes) Regulations 2006 (S.I. 2006/569), regs. 1(1), 3(1)(2), Sch. 3 Pt. 1

#### Commencement Information

**I90** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

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## [<sup>F662</sup>238ZA Pension input periods from 9 July 2015 for existing arrangement

- (1) If the relevant commencement date in the case of an arrangement under a registered pension scheme is before 9 July 2015, section 238(1) and (3) to (6) apply in relation to the arrangement subject to the following.
- (2) If a pension input period for the arrangement—
  - (a) begins with 8 July 2015 or an earlier day, and
  - (b) but for this subsection would end with 9 July 2015 or a later day,it ends with 8 July 2015.
- (3) If a pension input period for the arrangement ends with 8 July 2015 (whether or not because of subsection (2)), the subsequent pension input periods for the arrangement are—
  - (a) the period beginning with 9 July 2015 and ending with 5 April 2016, and
  - (b) the tax year 2016-17 and each subsequent tax year.
- (4) No nominations for the purposes of section 238(3) may be made on or after 9 July 2015.
- (5) “The relevant commencement date” has the meaning given by section 238(2).

### Textual Amendments

**F662** Ss. 238ZA, 238ZB inserted (18.11.2015) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [Sch. 4 para. 3](#)

## 238ZB Pension input periods for arrangement commencing after 8 July 2015

- (1) In the case of an arrangement under a registered pension scheme where the relevant commencement date is 9 July 2015 or later, the following are pension input periods—
  - (a) the period beginning with the relevant commencement date and ending with the first 5 April after the relevant commencement date (or, if the relevant commencement date is itself 5 April, that date), and
  - (b) each tax year beginning after the end of that period.
- (2) “The relevant commencement date” has the meaning given by section 238(2).
- (3) Once the individual has become entitled to all the benefits which may be provided to the individual under the arrangement, the last pension input period in the case of the arrangement is that in which that was first so.]

### Textual Amendments

**F662** Ss. 238ZA, 238ZB inserted (18.11.2015) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [Sch. 4 para. 3](#)

## [<sup>F663</sup>238APower to make orders about charge

- (1) The Treasury may by order make provision about the annual allowance charge.
- (2) The provision may include modifications of any of sections 227 to 238.

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- (3) The provision may include provision consequential on, or supplementary or incidental to, the provision made by those sections and transitional provisions (including provision making modifications of enactments).
- (4) “Modifications” includes amendments.]

#### Textual Amendments

**F663** S. 238A inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 17](#)

### *Scheme sanction charge*

#### 239 Scheme sanction charge

- (1) A charge to income tax, to be known as the scheme sanction charge, arises where in any tax year one or more scheme chargeable payments are made by a registered pension scheme.
- (2) The person liable to the scheme sanction charge is the scheme administrator.
- (3) But<sup>F664</sup>—
- (a) in the case of a payment treated by virtue of section 161(3) and (4) (payments under investments acquired with scheme assets) as having been made by a pension scheme which has been wound up, the person liable to the scheme sanction charge is the person who was, or each of the persons who were, the scheme administrator immediately before the pension scheme was wound up<sup>F665</sup>, and
  - (b) in the case of a payment of a lump sum to a member where the conditions in paragraphs 1(1)(b) and (d) and 1B(2)(a) to (g) of Schedule 29 are met, the person liable to the scheme sanction charge so far as relating to any part of the lump sum within the permitted maximum is the scheme administrator of the registered pension scheme to which the transfer mentioned in paragraph 1B(2)(g) of Schedule 29 is made.]
- <sup>F666</sup>(3A) For the purposes of subsection (3)(b) “the permitted maximum”, in the case of a lump sum paid to an individual, is the amount that in accordance with paragraph 2 of Schedule 29 would be the permitted maximum for that lump sum if the individual became entitled at the time the lump sum is paid to the pension at that time expected to be the pension in connection with which the lump sum is paid.]
- (4) A person liable to the scheme sanction charge is liable whether or not—
- (a) that person, and
  - (b) any other person who is liable to the scheme sanction charge, are resident<sup>F667</sup> ... or domiciled in the United Kingdom.
- (5) The following sections make further provision about the scheme sanction charge—
- section 240 (amount of charge), and
  - section 241 (scheme chargeable payment).
- <sup>F668</sup>(6) This section is subject to provision made by regulations under section 273ZA (income and gains from taxable property).]

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#### Textual Amendments

- F664** Words in s. 239(3) inserted (19.3.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 5 paras. 12\(1\)\(a\)](#), 15
- F665** S. 239(3)(b) and preceding word inserted (19.3.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 5 paras. 12\(1\)\(b\)](#), 15
- F666** S. 239(3A) inserted (19.3.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 5 paras. 12\(2\)](#), 15
- F667** Words in s. 239(4) omitted (with effect in accordance with Sch. 46 para. 132 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 46 para. 130](#)
- F668** S. 239(6) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 158(2), [Sch. 21 para. 8](#)

#### Modifications etc. (not altering text)

- C134** S. 239 modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), [Sch. 3 Pt. 1](#)
- C135** S. 239 modified by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), [art. 18](#) (as amended (19.3.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 5 paras. 12\(4\)\(5\)](#), 15)

#### Commencement Information

- I91** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 240 Amount of charge

- (1) The scheme sanction charge for any tax year is a charge at the rate of 40% in respect of the scheme chargeable payment, or the aggregate of the scheme chargeable payments, made by the pension scheme in the tax year.
  - (2) But if—
    - (a) the scheme chargeable payment is an unauthorised payment, or any of the scheme chargeable payments are unauthorised payments, and
    - (b) tax charged in relation to that payment, or any of those payments, under section 208 (unauthorised payments charge) has been paid,a deduction is to be made from the amount of tax that would otherwise be chargeable for the tax year by virtue of subsection (1).
  - (3) The amount of the deduction is the lesser of—
    - (a) 25% of the amount of the scheme chargeable payment, or of the aggregate amount of such of the scheme chargeable payments as are tax-paid, and
    - (b) the amount of the tax which has been paid under section 208 in relation to the scheme chargeable payment, or in relation to such of the scheme chargeable payments as are tax-paid.
- [<sup>F669</sup>(3A) The Treasury—
- (a) may by order amend subsection (1) so as to vary the rate of the scheme sanction charge, and
  - (b) may by order amend subsection (3)(a) so as to vary the percentage mentioned there.
- (3B) An order under subsection (3A) may make provision for there to be different rates or percentages in different circumstances.]
- (4) A scheme chargeable payment is “tax-paid” if the whole or any part of the tax chargeable in relation to it under section 208 has been paid.

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### Textual Amendments

**F669** S. 240(3A)(3B) inserted (with effect in accordance with Sch. 2 para. 25 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 2 para. 16](#)

### Commencement Information

**I92** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 241 Scheme chargeable payment

- (1) In this Part “scheme chargeable payment”, in relation to a registered pension scheme, means—
- (a) an unauthorised payment by the pension scheme, other than one which is exempt from being scheme chargeable, and
  - <sup>F670</sup>(aa) .....
  - (b) a scheme chargeable payment which the pension scheme is to be treated as having made by section 183 or 185 (unauthorised borrowing)<sup>F671</sup>, and
  - (c) a scheme chargeable payment which the pension scheme is to be treated as having made by section 185A (income from taxable property) or 185F (gains from taxable property)].
- (2) An unauthorised payment is exempt from being scheme chargeable if—
- (a) it is treated as having been made by section 173 (use of scheme assets to provide benefits) and the asset used to provide the benefit in question is not a wasting asset,
  - (b) it is a compensation payment (see section 178),
  - (c) it is made to comply with an order of a court or of a person or body with power to order the making of the payment,
  - (d) it is made on the ground that a court or any such person or body is likely to order the making of the payment (or would be were it asked to do so), or
  - (e) it is of a description prescribed by regulations made by the Board of Inland Revenue.
- (3) “Wasting asset” has the same meaning as in section 44 of TCGA 1992.
- (4) Schedule 36 contains (in Part 3) transitional provision about scheme chargeable payments.

### Textual Amendments

**F670** S. 241(1)(aa) omitted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 74](#)

**F671** S. 241(1)(c) and word inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 158(2), [Sch. 21 para. 9](#)

### Commencement Information

**I93** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

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## De-registration charge

### 242 De-registration charge

- (1) A charge to income tax, to be known as the de-registration charge, arises where the registration of a registered pension scheme is withdrawn.
- (2) The liability to the de-registration charge is a liability of the person who was, or each of the persons who were, the scheme administrator immediately before the registration was withdrawn.
- (3) That person, or each of those persons, is liable to the de-registration charge whether or not—
  - (a) that person, and
  - (b) any other person who is liable to the de-registration charge,are resident<sup>F672</sup>... or domiciled in the United Kingdom.
- (4) The de-registration charge is a charge at the rate of 40% in respect of the aggregate of—
  - (a) the amount of any sums held for the purposes of the pension scheme immediately before it ceased to be a registered pension scheme, and
  - (b) the market value at that time of any assets held for the purposes of the pension scheme.
- [<sup>F673</sup>(5) The Treasury may by order amend subsection (4) so as to vary the rate of the de-registration charge.
- (6) An order under subsection (5) may make provision for there to be different rates in different circumstances.]

#### Textual Amendments

**F672** Words in s. 242(3) omitted (with effect in accordance with Sch. 46 para. 132 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 46 para. 131](#)

**F673** S. 242(5)(6) inserted (with effect in accordance with Sch. 2 para. 25 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 2 para. 17](#)

#### Modifications etc. (not altering text)

**C136** S. 242 excluded (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, 24

#### Commencement Information

**I94** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

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## [<sup>F674</sup>CHAPTER 5A

### REGISTERED PENSION SCHEMES ESTABLISHED OUTSIDE THE UNITED KINGDOM

#### Textual Amendments

**F674** Pt. 4 Ch. 5A inserted (with effect in accordance with Sch. 4 para. 25 of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 4 para. 14](#)

#### 242A Meaning of “non-UK registered scheme”

In this Chapter “non-UK registered scheme” means a registered pension scheme established in a country or territory outside the United Kingdom.

#### 242B Meaning of “UK-relieved funds”

- (1) For the purposes of this Chapter, the “UK-relieved funds” of a non-UK registered scheme are sums or assets held for the purposes of, or representing accrued rights under, the scheme—
  - (a) that (directly or indirectly) represent sums or assets that at any time were held for the purposes of, or represented accrued rights under, a registered pension scheme established in the United Kingdom,
  - (b) that (directly or indirectly) represent sums or assets that at any time formed the UK tax-relieved fund under a relevant non-UK scheme of a relieved member of that scheme, or
  - (c) that—
    - (i) are held for the purposes of, or represent accrued rights under, an arrangement under the scheme relating to a member of the scheme who on any day has been an accruing member of the scheme, and
    - (ii) in accordance with regulations made by the Commissioners for Her Majesty's Revenue and Customs, are to be taken to have benefited from relief from tax.
- (2) In this Chapter “relevant contribution” has the meaning given by regulation 14ZB(8) of the Information Regulations.
- (3) Paragraphs (7) and (8) of regulation 14ZB of the Information Regulations (meaning of “accruing member”) apply for the purposes of this section as for those of that regulation.
- (4) “The Information Regulations” means the Registered Pension Schemes (Provision of Information) Regulations 2006 (S.I. 2006/567).

#### [<sup>F675</sup>242C] Application of this Part to non-UK registered schemes

- (1) This Part (so far as would not otherwise be the case) is to be read—
  - (a) as applying in relation to UK-relieved funds of a non-UK registered scheme as it applies in relation to sums or assets held for the purposes of, or representing accrued rights under, a registered pension scheme established in the United Kingdom,



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- (b) as applying in relation to a non-UK registered scheme, so far as the scheme relates to the scheme's UK-relieved funds, as it applies in relation to a registered pension scheme established in the United Kingdom,
  - (c) as applying in relation to members of a non-UK registered scheme, so far as their rights under the scheme are represented by UK-relieved funds of the scheme, as it applies in relation to members of a registered pension scheme established in the United Kingdom, and
  - (d) as applying to relevant contributions to a non-UK registered scheme as it applies in relation to contributions to a registered pension scheme established in the United Kingdom.
- (2) Subsection (1) has effect subject to, and in accordance with, the following provisions of this Chapter.
- (3) The Commissioners for Her Majesty's Revenue and Customs may by regulations make—
- (a) provision elucidating the application of, or supplementing, subsection (1) or other provisions of this Chapter, or
  - (b) where relief from tax is involved, other provision for or in connection with the application of this Part where the interpretative presumption against extra-territorial application means that it would otherwise not apply.
- (4) Regulations under subsection (3) may (in particular)—
- (a) amend provisions of or made under—
    - (i) this Part, or
    - (ii) any other enactment related to taxation in connection with pensions, and
  - (b) make consequential amendments of provisions of, or made under, any enactment.
- (5) See section 242B for the meaning of “UK-relieved funds” and “relevant contribution”.

#### Textual Amendments

**F675** Ss. 242C-242E inserted (with effect in accordance with Sch. 3 para. 1(2) of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 3 para. 1\(1\)](#)

### 242D Non-UK registered schemes: annual allowance charge

- (1) This section is about the application of the provisions of this Part relating to the annual allowance charge.
- (2) Pension input amounts in respect of arrangements relating to an individual under a non-UK registered scheme are to be taken into account in applying the provisions for a tax year in relation to the individual only if, in accordance with regulations made by the Commissioners for Her Majesty's Revenue and Customs, relieved inputs are to be taken to have been made in respect of the individual under the scheme in the year.

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#### Textual Amendments

**F675** Ss. 242C-242E inserted (with effect in accordance with Sch. 3 para. 1(2) of the amending Act) by [Finance Act 2017 \(c. 10\)](#), **Sch. 3 para. 1(1)**

### 242E Investment-regulated non-UK registered schemes

For the purposes of the application of the taxable property provisions in relation to a non-UK registered scheme, property is taxable property in relation to the scheme if it would be taxable property in relation to the scheme were the scheme a registered pension scheme established in the United Kingdom.]]

#### Textual Amendments

**F675** Ss. 242C-242E inserted (with effect in accordance with Sch. 3 para. 1(2) of the amending Act) by [Finance Act 2017 \(c. 10\)](#), **Sch. 3 para. 1(1)**

## CHAPTER 6

### SCHEMES THAT ARE NOT REGISTERED PENSION SCHEMES

#### Modifications etc. (not altering text)

**C137** Pt. 4 Ch. 6 excluded (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, **25**

#### *Non-UK schemes*

### 243 Overseas pension schemes: migrant member relief

Schedule 33 contains provision about migrant member relief in respect of contributions under overseas pension schemes.

#### Commencement Information

**I95** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

### 244 Non-UK schemes: application of certain charges

Schedule 34 contains provision applying certain charges under this Part in relation to non-UK schemes.

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### Commencement Information

**I96** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

### <sup>F676</sup>Non-UK schemes: the overseas transfer charge

### Textual Amendments

**F676** Ss. 244A-244N and cross-heading inserted (with effect in accordance with Sch. 4 para. 25 of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 4 para. 11](#)

## 244A Overseas transfer charge

- (1) A charge to income tax, to be known as the overseas transfer charge, arises where—
  - (a) a recognised transfer is made to a QROPS, or
  - (b) an onward transfer is made during the relevant period for the original transfer, and the transfer is not excluded from the charge by or under any of sections 244B to 244H.
- (2) Sections 244B to 244H are subject to section 244I (circumstances in which exclusions do not apply).
- (3) In this group of sections, an “onward transfer” is a transfer of sums or assets held for the purposes of, or representing accrued rights under, an arrangement under a QROPS or former QROPS in relation to a member so as to become held for the purposes of, or to represent rights under, an arrangement under another QROPS in relation to that person as a member of that other QROPS.
- (4) In this group of sections “relevant period” means—
  - (a) in the case of a recognised transfer made on 6 April in any year, the 5 years beginning with the date of the transfer,
  - (b) in the case of any other recognised transfer, the period consisting of the combination of—
    - (i) the period beginning with the date of the transfer and ending immediately before the next 6 April, and
    - (ii) the 5 years beginning at the end of that initial period,
  - (c) in the case of an onward transfer, the period—
    - (i) beginning with the date of the transfer, and
    - (ii) ending at the end of the relevant period for the original transfer (see paragraphs (a) and (b) or, as the case may be, paragraphs (d) and (e)),
  - (d) in the case of a relevant transfer that—
    - (i) is made on 6 April in any year, and
    - (ii) is the original transfer for an onward transfer,the 5 years beginning with the date of the relevant transfer, and
  - (e) in the case of a relevant transfer that—
    - (i) is made otherwise than on 6 April in any year, and
    - (ii) is the original transfer for an onward transfer,

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the period consisting of the combination of: the period beginning with the date of the relevant transfer and ending immediately before the next 6 April; and the 5 years beginning at the end of that initial period.

- (5) In this group of sections “the original transfer”, in relation to an onward transfer, means (subject to subsection (6))—
- (a) the recognised transfer in respect of which the following conditions are met—
    - (i) it is from a registered pension scheme to a QROPS,
    - (ii) the sums and assets transferred by the onward transfer directly or indirectly derive from those transferred by it, and
    - (iii) it is more recent than any other recognised transfer in respect of which the conditions in sub-paragraphs (i) and (ii) are met, or
  - (b) where there is no such recognised transfer, the relevant transfer (see paragraph 1(6) of Schedule 34) in respect of which the following conditions are met—
    - (i) it is from a relevant non-UK scheme (see paragraph 1(5) of Schedule 34),
    - (ii) it is a transfer of the whole or part of the UK tax-relieved fund (see paragraph 3 of Schedule 34) of a member of the scheme,
    - (iii) it is to a QROPS, and
    - (iv) the sums and assets transferred by the onward transfer directly or indirectly derive from those transferred by it.
- (6) Where apart from this subsection there would be different original transfers for different parts of an onward transfer, each such part of the onward transfer is to be treated as a separate onward transfer for the purposes of this group of sections.
- (7) In this section and sections 244B to 244N—
- “QROPS” means a qualifying recognised overseas pension scheme, and  
 “former QROPS” means a scheme that has at any time been a QROPS;  
 “ring-fenced transfer fund”, in relation to a QROPS or former QROPS, has the meaning given by paragraph 1 of Schedule 34;  
 “this group of sections” means this section and sections 244B to 244N.

#### **244B Exclusion: member and receiving scheme in same country**

- (1) A recognised transfer to a QROPS is excluded from the overseas transfer charge if during the relevant period—
- (a) the member is resident in the country or territory in which the QROPS is established, and
  - (b) there is no onward transfer—
    - (i) for which the recognised transfer is the original transfer, and
    - (ii) which is not excluded from the charge.
- (2) If the member is resident in that country or territory at the time of the transfer mentioned in subsection (1), it is to be assumed for the purposes of subsection (1) that the member will be resident in that country or territory during the relevant period; but if, at a time before the end of the relevant period, the transfer ceases to be excluded by subsection (1) otherwise than by reason of the member's death—
- (a) that assumption is from that time no longer to be made, and
  - (b) the charge on the transfer is treated as charged at that time.

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- (3) An onward transfer to a QROPS (“transfer A”) is excluded from the overseas transfer charge if during so much of the relevant period as is after the time of transfer A—
- (a) the member is resident in the country or territory in which the QROPS is established, and
  - (b) there is no subsequent onward transfer that—
    - (i) is of sums and assets which, in whole or part, directly or indirectly derive from those transferred by transfer A, and
    - (ii) is not excluded from the charge.
- (4) If the member is resident in that country or territory at the time of transfer A, it is to be assumed for the purposes of subsection (3) that the member will be resident in that country or territory during so much of the relevant period as is after the time of transfer A; but if, at a time before the end of the relevant period, the transfer ceases to be excluded by subsection (3) otherwise than by reason of the member's death—
- (a) that assumption is from that time no longer to be made, and
  - (b) the charge on transfer A is treated as charged at that time.

**244C Exclusion: [F677 receiving scheme in EEA state [F678 or Gibraltar], and member resident in UK or EEA state]**

- (1) This section applies to a transfer to a QROPS established in an EEA state [F679 or Gibraltar].
- (2) If the transfer is a recognised transfer, the transfer is excluded from the overseas transfer charge if during the relevant period—
- (a) the member is resident in [F680 a relevant territory] (whether or not the [F681 same relevant territory] throughout that period), and
  - (b) there is no onward transfer—
    - (i) for which the recognised transfer is the original transfer, and
    - (ii) which is not excluded from the charge.
- (3) If the member is resident in [F680 a relevant territory] at the time of the recognised transfer mentioned in subsection (2), it is to be assumed for the purposes of this section that the member will be resident in [F680 a relevant territory] during the relevant period; but if, at a time before the end of the relevant period, the transfer ceases to be excluded by subsection (2) otherwise than by reason of the member's death—
- (a) that assumption is from that time no longer to be made, and
  - (b) the charge on the transfer is treated as charged at that time.
- (4) If the transfer is an onward transfer (“transfer B”), the transfer is excluded from the overseas transfer charge if during so much of the relevant period as is after the time of the onward transfer—
- (a) the member is resident in [F680 a relevant territory] (whether or not the [F682 same relevant territory] at all those times), and
  - (b) there is no subsequent onward transfer that—
    - (i) is of sums and assets which, in whole or part, directly or indirectly derive from those transferred by transfer B, and
    - (ii) is not excluded from the charge.
- (5) If the member is resident in [F680 a relevant territory] at the time of transfer B, it is to be assumed for the purposes of subsection (4) that the member will be resident in

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[<sup>F680</sup>a relevant territory] during so much of the relevant period as is after the time of transfer B; but if, at a time before the end of the relevant period, the transfer ceases to be excluded by subsection (4) otherwise than by reason of the member's death—

- (a) that assumption is from that time no longer to be made, and
- (b) the charge on transfer B is treated as charged at that time.

[<sup>F683</sup>(6) In this section “relevant territory” means the United Kingdom or an EEA state.]

#### Textual Amendments

- F677** Words in s. 244C heading substituted (31.12.2020) by [The Taxes \(Amendments\) \(EU Exit\) Regulations 2019 \(S.I. 2019/689\)](#), regs. 1, **12(2)(a)** (with regs. 39-41); 2020 c. 1, Sch. 5 para. 1(1)
- F678** Words in s. 244C heading inserted (18.2.2021 with effect from IP completion day) by [The Pension Schemes \(Qualifying Recognised Overseas Pension Schemes\) \(Gibraltar\) \(Exclusion of Overseas Transfer Charge\) Regulations 2021 \(S.I. 2021/89\)](#), regs. 1, **2(2)(a)**
- F679** Words in s. 244C(1) inserted (18.2.2021 with effect from IP completion day) by [The Pension Schemes \(Qualifying Recognised Overseas Pension Schemes\) \(Gibraltar\) \(Exclusion of Overseas Transfer Charge\) Regulations 2021 \(S.I. 2021/89\)](#), regs. 1, **2(2)(b)**
- F680** Words in s. 244C(2)-(5) substituted (31.12.2020) by [The Taxes \(Amendments\) \(EU Exit\) Regulations 2019 \(S.I. 2019/689\)](#), regs. 1, **12(2)(b)** (with regs. 39-41); 2020 c. 1, Sch. 5 para. 1(1)
- F681** Words in s. 244C(2) substituted (31.12.2020) by [The Taxes \(Amendments\) \(EU Exit\) Regulations 2019 \(S.I. 2019/689\)](#), regs. 1, **12(2)(c)** (with regs. 39-41); 2020 c. 1, Sch. 5 para. 1(1)
- F682** Words in s. 244C(4) substituted (31.12.2020) by [The Taxes \(Amendments\) \(EU Exit\) Regulations 2019 \(S.I. 2019/689\)](#), regs. 1, **12(2)(c)** (with regs. 39-41); 2020 c. 1, Sch. 5 para. 1(1)
- F683** S. 244C(6) inserted (31.12.2020) by [The Taxes \(Amendments\) \(EU Exit\) Regulations 2019 \(S.I. 2019/689\)](#), regs. 1, **12(2)(d)** (with regs. 39-41); 2020 c. 1, Sch. 5 para. 1(1)

#### **244D Exclusion: receiving scheme is an occupational pension scheme**

A transfer to a QROPS is excluded from the overseas transfer charge if—

- (a) the QROPS is an occupational pension scheme, and
- (b) when the transfer is made, the member is an employee of a sponsoring employer of the QROPS.

#### **244E Exclusion: receiving scheme set up by international organisation**

- (1) A transfer to a QROPS is excluded from the overseas transfer charge if—
  - (a) the QROPS is established by an international organisation and has effect so as to provide benefits for, or in respect of, past service as an employee of the organisation, and
  - (b) when the transfer is made, the member is an employee of the organisation.
- (2) In this section “international organisation” means an organisation to which section 1 of the International Organisations Act 1968 applies by virtue of an Order in Council under subsection (1) of that section.

#### **244F Exclusion: receiving scheme is an overseas public service scheme**

- (1) A transfer to a QROPS is excluded from the overseas transfer charge if—
  - (a) the QROPS is an overseas public service pension scheme, and

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- (b) when the transfer is made, the member is an employee of an employer that participates in the scheme.
- (2) A QROPS is an “overseas public service pension scheme” for the purposes of this section if—
- (a) either—
    - (i) it is established by or under the law of the country or territory in which it is established, or
    - (ii) it is approved by the government of that country or territory, and
  - (b) it is established solely for the purpose of providing benefits to individuals for or in respect of services rendered to—
    - (i) that country or territory, or
    - (ii) any political subdivision or local authority of that country or territory.
- (3) For the purposes of this section, an employer participates in a QROPS that is an overseas public service pension scheme if the scheme has effect so as to provide benefits to or in respect of any or all of the employees of the employer in respect of their employment by the employer.

#### **244G Exclusions: avoidance of double charge, and transitional protections**

- (1) A recognised transfer to a QROPS is excluded from the overseas transfer charge if it is made in execution of a request made before 9 March 2017.
- (2) An onward transfer (“the current onward transfer”) is excluded from the overseas transfer charge if—
- (a) the charge has been paid on the original transfer and the amount paid is not repayable, or
  - (b) the charge has been paid on an onward transfer (“the earlier onward transfer”) in respect of which the conditions in subsection (4) are met and the amount paid is not repayable, or
  - (c) the original transfer was made before 9 March 2017, or
  - (d) the original transfer was made on or after 9 March 2017 in execution of a request made before 9 March 2017.
- (3) An onward transfer is excluded from the overseas transfer charge so far as the transfer is made otherwise than out of the member's ring-fenced transfer funds under the scheme from which the onward transfer is made.
- (4) The conditions mentioned in subsection (2)(b) are—
- (a) that the earlier onward transfer was made before the current onward transfer,
  - (b) that the earlier onward transfer was made after the original transfer, and
  - (c) that all the sums and assets transferred by the current onward transfer directly or indirectly derive from those transferred by the earlier onward transfer.

#### **244H Power to provide for further exclusions**

The Commissioners for Her Majesty's Revenue and Customs may by regulations make provision for a recognised transfer to a QROPS, or an onward transfer, to be excluded from the overseas transfer charge if the transfer is of a description specified in the regulations.

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#### **244I Circumstances in which exclusions do not apply**

- (1) Subsection (2) applies if a recognised transfer to a QROPS, or an onward transfer, would (but for this section) be excluded from the overseas transfer charge by any of sections 244B to 244F.
- (2) The transfer is not excluded from the charge if the member has, in connection with the transfer, failed to comply with the relevant information regulation.
- (3) In subsection (2) “the relevant information regulation” means whichever of the following is applicable—
  - (a) regulation 11BA of the Registered Pension Schemes (Provision of Information) Regulations 2006 (S.I. 2006/567), or any regulation having effect in place of any of that regulation, as (in either case) from time to time amended, and
  - (b) regulation 3AE of the Pension Schemes (Information Requirements for Qualifying Overseas Pension Schemes, Qualifying Recognised Overseas Pension Schemes and Corresponding Relief) Regulations 2006 (S.I. 2006/208), or any regulation having effect in place of any of that regulation, as (in either case) from time to time amended.

#### **244J Persons liable to charge**

- (1) In the case of a recognised transfer to a QROPS, the persons liable to the overseas transfer charge are—
  - (a) the scheme administrator of the registered pension scheme from which the transfer is made, and
  - (b) the member,and their liability is joint and several.
- (2) In the case of an onward transfer, the persons liable to the overseas transfer charge are—
  - (a) the scheme manager of the QROPS, or former QROPS, from which the transfer is made, and
  - (b) the member,and their liability is joint and several.
- (3) Subsections (1) and (2) are subject to subsection (4), and subsections (2) and (4) are subject to subsection (5).
- (4) If a transfer is one required by section 244B or 244C to be initially assumed to be excluded by that section but an event occurring before the end of the relevant period means that the transfer is not so excluded, the persons liable to the overseas transfer charge in the case of the transfer are—
  - (a) the scheme manager of any QROPS, or former QROPS, under which the member has, at the time of the event, ring-fenced transfer funds in which any of the sums and assets referred to in section 244K(6) in the case of the transfer are represented, and
  - (b) the member,and their liability is joint and several.
- (5) The scheme manager of a former QROPS is liable to the overseas transfer charge in the case of a transfer (“the transfer concerned”) only if the former QROPS—



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- (a) was a QROPS when a relevant inward transfer was made, and
- (b) where a relevant inward transfer was made before 9 March 2017, was a QROPS at the start of 9 March 2017;

and here “relevant inward transfer” means a recognised or onwards transfer to the former QROPS (at a time when it was a QROPS) of sums and assets which, to any extent, are represented by sums or assets transferred by the transfer concerned.

- (6) A person is liable to the overseas transfer charge whether or not—
  - (a) that person, and
  - (b) any other person who is liable to the charge, are resident or domiciled in the United Kingdom.

#### **244K Amount of charge**

- (1) Where the overseas transfer charge arises in the case of a transfer, the charge is 25% of the transferred value.
- (2) If the transfer is from a registered pension scheme established in the United Kingdom, the transferred value is the total of—
  - (a) the amount of any sums transferred, and
  - (b) the value of any assets transferred,but this is subject to subsections (5) to (9).
- (3) If the transfer is from a registered pension scheme established in a country or territory outside the United Kingdom, the transferred value is the total of—
  - (a) the amount of any sums transferred that are attributable to UK-relieved funds of the scheme, and
  - (b) the value of any assets transferred that are attributable to UK-relieved funds of the scheme,but this is subject to subsections (5) to (9).
- (4) If the transfer is from a QROPS or former QROPS, the transferred value is the total of—
  - (a) the amount of any sums transferred that are attributable to the member's ring-fenced transfer funds under the scheme, and
  - (b) the value of any assets transferred that are attributable to the member's ring-fenced transfer funds under the scheme,but this is subject to subsections (5) to (9).
- (5) If the lifetime allowance charge arises in the case of the transfer and is to be deducted from the transfer, paragraphs (a) and (b) of subsections (2) to (4) are to be read as referring to what is to be transferred after deduction of the lifetime allowance charge.
- (6) If the transfer is one initially assumed to be excluded by section 244B or 244C but an event occurring before the end of the relevant period means that the transfer is not so excluded, the sums and assets mentioned in whichever of subsections (2) to (4) is applicable include only those that at the time of the event are represented in any of the member's ring-fenced transfer funds under any QROPS or former QROPS.
- (7) If the operator pays the charge on the transfer and does so—
  - (a) otherwise than by deduction from the transfer, and

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- (b) out of sums and assets held for the purposes of, or representing accrued rights under, the scheme from which the transfer is made,  
the transferred value is the amount given by subsections (2) to (6) grossed up by reference to the rate specified in subsection (1).
- (8) If the operator pays the charge on the transfer and does so by deduction from the transfer, the transferred value is the amount given by subsections (2) to (6) before the deduction.
- (9) If the member pays the charge on the transfer, the transferred value is the amount given by subsections (2) to (6) without any deduction for the charge.
- (10) The provisions of this Part relating to the lifetime allowance charge apply (whether or not in relation to the transfer) as if the overseas transfer charge did not arise in the case of the transfer.
- (11) In this section—  
“the operator” means—  
(a) the scheme administrator of the scheme from which the transfer is to be made if that scheme is a registered pension scheme, or  
(b) the scheme manager of the scheme from which the transfer is to be made if that scheme is a QROPS or former QROPS;  
“UK-relieved funds”, in relation to a registered pension scheme established in a country or territory outside the United Kingdom, has the meaning given by section 242B.

#### **244L Accounting for overseas transfer charge by scheme managers**

- (1) In this section “charge” means overseas transfer charge for which the scheme manager of a QROPS or former QROPS is liable.
- (2) The Commissioners for Her Majesty's Revenue and Customs may by regulations make provision for or in connection with—  
(a) the payment of charge, including due dates for payment,  
(b) the charging of interest on charge not paid on or before its due date,  
(c) notification by the scheme manager of errors in information provided by the scheme manager to the Commissioners in connection with charge or the scheme manager's liability for overseas transfer charge,  
(d) repayments to scheme managers under section 244M of amounts paid by way of charge, and  
(e) the making of assessments, repayments or adjustments in cases where the correct amount of charge has not been paid by the due date for payment of the charge.
- (3) The regulations may, in particular—  
(a) modify the operation of any provision of the Tax Acts, or  
(b) provide for the application of any provision of the Tax Acts (with or without modification).

#### **244M Repayments of charge on subsequent excluding events**

- (1) This section applies if—

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- (a) overseas transfer charge arose on a transfer at the time the transfer was made, and
  - (b) at a time during the relevant period for the transfer, circumstances arise such that, had those circumstances existed at the time the transfer was made, the transfer would at the time it was made have been excluded from the charge by sections 244B to 244F or under section 244H.
- (2) Any amount paid in respect of charge on the transfer is to be repaid by the Commissioners for Her Majesty's Revenue and Customs so far as not already repaid.
  - (3) Subsection (2) does not give rise to entitlement to repayment of, or cancellation of liabilities to, interest or penalties in respect of late payment of charge on the transfer.
  - (4) Repayment under this section to the scheme administrator of a registered pension scheme, or the scheme manager of a QROPS or former QROPS, is conditional on prior compliance with any requirements to give information to the Commissioners, about the circumstances in which the right to the repayment arises, that are imposed on the prospective recipient under section 169 or 251 (but repayment is not conditional on compliance with any time limits so imposed for compliance with any such requirements).
  - (5) Repayment under this section is not a relievable pension contribution.
  - (6) Repayment under this section to the member is conditional on making a claim, and such a claim must be made no later than one year after the end of the relevant period for the transfer concerned.
  - (7) The Commissioners for Her Majesty's Revenue and Customs may by regulations make provision for or in connection with claims or repayments under this section, including provision—
    - (a) requiring claims,
    - (b) about who may claim,
    - (c) imposing conditions for making claims, including conditions about time limits,
    - (d) as to additional circumstances in which repayments may be made,
    - (e) modifying the operation of any provision of the Tax Acts, or
    - (f) applying any provision of the Tax Acts (with or without modifications).

#### **244N Discharge of liability of scheme administrator or manager**

- (1) In this section “operator” means—
  - (a) the scheme administrator of a registered pension scheme, or
  - (b) the scheme manager of a QROPS or former QROPS.
- (2) If an operator is liable under section 244J, the operator may apply to an officer of Revenue and Customs for the discharge of the operator's liability on the following ground.
- (3) The ground is that—
  - (a) the operator reasonably believed that there was no liability to the overseas transfer charge on the transfer concerned, and
  - (b) in all the circumstances of the case, it would not be just and reasonable for the operator to be liable to the charge on the transfer.

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- (4) On receiving an application under subsection (2), an officer of Revenue and Customs must decide whether to discharge the operator's liability.
- (5) An officer of Revenue and Customs must notify the operator of the decision on the application.
- (6) The discharge of the operator's liability does not affect the liability of any other person to overseas transfer charge on the transfer concerned.
- (7) The Commissioners for Her Majesty's Revenue and Customs may by regulations make provision supplementing this section, including provision for time limits for making an application under this section.]

*Employer-financed retirement benefit schemes*

**245 Restriction of deduction for contributions by employer**

- (1) Schedule 24 to the Finance Act 2003 (c. 14) (restriction of deductions for employee benefit contributions) is amended as follows.
- <sup>F684</sup>(2) . . . . .
- (3) In sub-paragraph (1) of paragraph 2 (“qualifying benefits”), insert at the end “or  
 (c) is made under an employer-financed retirement benefits scheme.”
- (4) In sub-paragraph (5) of that paragraph (when qualifying benefit treated as provided), after “payment of money” insert “otherwise than under an employer-financed retirement benefits scheme”.
- (5) In paragraph 8 (deductions to which Schedule does not apply), for paragraphs (b) and (c) substitute—
  - “(b) in respect of contributions under a registered pension scheme or a section 615(3) scheme,
  - (c) in respect of contributions under a qualifying overseas pension scheme in respect of an individual who is a relevant migrant member of the pension scheme in relation to the contributions.”.
- (6) In sub-paragraph (1) of paragraph 9 (interpretation), in the definition of “employee benefit scheme”, after “include,” insert “present or former”.
- (7) In that sub-paragraph, after the definition of “the employer” insert—
 

““employer-financed retirement benefits scheme” has the same meaning as in Chapter 2 of Part 6 of the Income Tax (Earnings and Pensions) Act 2003 (see section 393A of that Act);”.
- (8) In that sub-paragraph, after the definition of “qualifying expenses” insert—
 

““qualifying overseas pension scheme” has the same meaning as in Schedule 33 to the Finance Act 2004 (see paragraphs 5 and 6 of that Schedule);

“registered pension scheme” has the same meaning as in Part 4 of that Act (see section 150 of that Act);

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“relevant migrant member” has the same meaning as in Schedule 33 to that Act (see paragraph 4 of that Schedule);

“section 615(3) scheme” means a superannuation fund to which section 615(3) of the Taxes Act 1988 applies;”.

#### Textual Amendments

**F684** S. 245(2) repealed (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 27 Pt. 2\(5\)](#)

#### Modifications etc. (not altering text)

**C138** S. 245 modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), [15](#), [16](#)

#### Commencement Information

**I97** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 246 Restriction of deduction for non-contributory provision

- (1) This section applies in relation to an employer’s expenses of providing benefits to or in respect of present or former employees under an employer-financed retirement benefits scheme in a case where—
  - (a) the expenses do not consist of the making of contributions under the scheme, but
  - (b) in accordance with generally accepted accounting practice they are shown in the employer’s accounts.
- (2) Unless the benefits are ones in respect of which a person is, on receipt, chargeable to income tax, the expenses—
  - (a) are not deductible in computing the amount of the profits of the employer for the purposes of [<sup>F685</sup>Part 2 of ITTOIA 2005][<sup>F686</sup>or Part 3 of CTA 2009 (trading income)],
  - (b) are not expenses of management of the employer for the purposes of [<sup>F687</sup>Chapter 2 of Part 16 of CTA 2009] (expenses of management: companies with investment business), and
  - [<sup>F688</sup>(c) are not to count as ordinary BLAGAB management expenses of the employer for an accounting period for the purposes of section 76 of FA 2012.]
- (3) But where the benefits are ones in respect of which a person is, on receipt, chargeable to income tax—
  - (a) if the expenses are allowed to be deducted in computing the amount of the profits of the employer to be charged under [<sup>F689</sup>Part 2 of ITTOIA 2005][<sup>F690</sup>or Part 3 of CTA 2009 (trading income),] they are deductible in computing the amount of the profits for the period of account in which they are paid, and
  - (b) for the purposes of the operation [<sup>F691</sup>in relation to the employer of [<sup>F692</sup>section 76 of FA 2012] or Chapter 2 of Part 16 of CTA 2009,] the expenses are referable to the accounting period in which they are paid.
- (4) In this section “employer-financed retirement benefits scheme” has the same meaning as in Chapter 2 of Part 6 of ITEPA 2003 (see section 393A of that Act).

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### Textual Amendments

- F685** Words in s. 246(2)(a) inserted (6.4.2006) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), [Sch. 1 para. 650\(2\)](#), [Sch. 2 para. 161](#) (with [Sch. 2](#))
- F686** Words in s. 246(2)(a) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 1 para. 578\(2\)\(a\)](#) (with [Sch. 2 Pts. 1, 2](#))
- F687** Words in s. 246(2)(b) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 1 para. 578\(2\)\(b\)](#) (with [Sch. 2 Pts. 1, 2](#))
- F688** S. 246(2)(c) substituted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 120\(2\)](#)
- F689** Words in s. 246(3)(a) inserted (6.4.2006) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), [Sch. 1 para. 650\(3\)](#), [Sch. 2 para. 161](#) (with [Sch. 2](#))
- F690** Words in s. 246(3)(a) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 1 para. 578\(3\)\(a\)](#) (with [Sch. 2 Pts. 1, 2](#))
- F691** Words in s. 246(3)(b) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 1 para. 578\(3\)\(b\)](#) (with [Sch. 2 Pts. 1, 2](#))
- F692** Words in s. 246(3)(b) substituted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 120\(3\)](#)

### Commencement Information

- I98** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## <sup>F693</sup>246A Case where no relief for provision by an employer

- (1) An employer's expenses of providing relevant benefits to or in respect of a present or former employee (“the employee”) under an employer-financed retirement benefits scheme (whether or not by the making of contributions under the scheme) are not subject to relief if subsection (2) applies.
- (2) This subsection applies where—
  - (a) the provision of the relevant benefits results in a reduction in the benefits payable to or in respect of the employee under a registered pension scheme, or
  - (b) a reduction in the benefits payable to or in respect of the employee under a registered pension scheme results in the provision of the relevant benefits.
- (3) But if the extent to which contributions paid by the employer under the registered pension scheme in respect of the employee are subject to relief has been restricted in accordance with regulations under section 196A, the employer's expenses of providing the relevant benefits are not prevented from being subject to relief to the extent that is just and reasonable.
- (4) The references in this section to expenses of an employer being subject to relief are to—
  - (a) their being deductible in computing the amount of the profits of the employer for the purposes of Part 2 of ITTOIA 2005 [<sup>F694</sup>or Part 3 of CTA 2009 (trading income)],
  - (b) their being expenses of management of the employer for the purposes of [<sup>F695</sup>Chapter 2 of Part 16 of CTA 2009] (expenses of management: companies with investment business), or
  - (c) their being [<sup>F696</sup>ordinary BLAGAB management expenses of the employer for an accounting period for the purposes of section 76 of FA 2012 ],
 (depending on which is appropriate in relation to the employer).

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(5) In this section—

“employer-financed retirement benefits scheme”, and

“relevant benefits”,

have the same meaning as in Chapter 2 of Part 6 of ITEPA 2003 (see sections 393A and 393B of that Act).]

#### Textual Amendments

**F693** S. 246A inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 40, 64\(1\)](#)

**F694** Words in s. 246A(4)(a) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 1 para. 579\(a\)](#) (with [Sch. 2 Pts. 1, 2](#))

**F695** Words in s. 246A(4)(b) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 1 para. 579\(b\)](#) (with [Sch. 2 Pts. 1, 2](#))

**F696** Words in s. 246A(4)(c) substituted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 121](#)

#### 247 Abolition of income tax charge in respect of employer payments

In Part 6 of ITEPA 2003, omit Chapter 1 (payments by employer for the provision of benefits for an employee under certain schemes to count as employment income of employee).

#### Commencement Information

**I99** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

#### 248 Employer’s cost of insuring against non-payment of benefit

(1) Section 307 of ITEPA 2003 (no liability to income tax in respect of chargeable benefit on provision made by employer for a retirement or death benefit) is amended as follows.

(2) After subsection (1) insert—

“(1A) Subsection (1) does not apply to provision made for insuring against the risk that a retirement or death benefit under an employer-financed retirement benefits scheme cannot be paid or given because of the employer’s insolvency.

(1B) In subsection (1A) “employer-financed retirement benefits scheme” has the same meaning as in Chapter 2 of Part 6 (see section 393A).”

(3) In subsection (2), for “subsection (1)” substitute “this section”.

#### Commencement Information

**I100** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

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## **249 Taxation of non-pension benefits**

- (1) Chapter 2 of Part 6 of ITEPA 2003 (taxation of non-pension benefits from certain pension schemes) is amended as follows.
- (2) In the heading of the Chapter, for “NON-APPROVED PENSION” substitute “EMPLOYER-FINANCED RETIREMENT BENEFITS”.
- (3) For section 393 substitute—

### **“393 Application of this Chapter**

- (1) This Chapter applies to relevant benefits provided under an employer-financed retirement benefits scheme.
- (2) Section 393A defines “employer-financed retirement benefits scheme” and section 393B defines “relevant benefits”.

### **393A Employer-financed retirement benefits scheme**

- (1) In this Chapter “employer-financed retirement benefits scheme” means a scheme for the provision of benefits consisting of or including relevant benefits to or in respect of employees or former employees of an employer.
- (2) But neither—
  - (a) a registered pension scheme, nor
  - (b) a section 615(3) scheme,
 is an employer-financed retirement benefits scheme.
- (3) “Section 615(3) scheme” means a superannuation fund to which section 615(3) of ICTA applies.
- (4) “Scheme” includes a deed, agreement, series of agreements, or other arrangements.

### **393B Relevant benefits**

- (1) In this Chapter “relevant benefits” means any lump sum, gratuity or other benefit (including a non-cash benefit) provided (or to be provided)—
  - (a) on or in anticipation of the retirement of an employee or former employee,
  - (b) on the death of an employee or former employee,
  - (c) after the retirement or death of an employee or former employee in connection with past service,
  - (d) on or in anticipation of, or in connection with, any change in the nature of service of an employee, or
  - (e) to any person by virtue of a pension sharing order or provision relating to an employee or former employee.
- (2) But—
  - (a) benefits charged to tax under Part 9 (pension income),



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- (b) benefits chargeable to tax by virtue of Schedule 34 to FA 2004 (which applies certain charges under Part 4 of that Act in relation to non-UK schemes), and
  - (c) excluded benefits,are not relevant benefits.
- (3) The following are “excluded benefits”—
  - (a) benefits in respect of ill-health or disablement of an employee during service,
  - (b) benefits in respect of the death by accident of an employee during service,
  - (c) benefits under a relevant life policy, and
  - (d) benefits of any description prescribed by regulations made by the Board of Inland Revenue.
- (4) In subsection (3)(c) “relevant life policy” means—
  - [<sup>F697</sup>(a) an excepted group life policy as defined in section 480 of ITTOIA 2005,]
  - (b) a policy of life insurance the terms of which provide for the payment of benefits on the death of a single individual and with respect to which [<sup>F698</sup>—
    - (i) condition A in section 481 of that Act would be met if paragraph (a) in that condition referred to the death, in any circumstances or except in specified circumstances, of that individual (rather than the death in any circumstances of each of the individuals insured under the policy) and if the condition did not include paragraph (b), and
    - (ii) conditions C and D in that section and conditions A and C in section 482 of that Act are met, or]
  - (c) a policy of life insurance that would be within paragraph (a) or (b) but for the fact that it provides for a benefit which is an excluded benefit under or by virtue of paragraph (a), (b) or (d) of subsection (3).
- (5) In subsection (1)(e) “pension sharing order or provision” means any such order or provision as is mentioned in section 28(1) of WRP(A) 1999 or Article 25(1) of WRP(NI)O 1999.”
- (4) Section 394 (charge on benefit) is amended as follows.
- (5) After subsection (1) insert—
  - “(1A) Subsection (1) does not apply in relation to the benefit if the total amount of the benefits to which this Chapter applies received by the individual in the relevant tax year does not exceed £100.”
- (6) In subsection (2), for “administrator of” substitute “person who is (or persons who are) the responsible person in relation to”.
- (7) In subsection (3), for “subsections (1) and (2)” substitute “this section”.
- (8) For sections 395 to 397 substitute—

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### **“395 Reduction where employee has contributed**

- (1) This section applies in relation to a relevant benefit under an employer-financed retirement benefits scheme in the form of a lump sum where, under the scheme, an employee has paid any sum or sums by way of contribution to the provision of the lump sum.
- (2) The amount which, by virtue of section 394, counts as employment income, or is chargeable to tax under [<sup>F699</sup>subsection (2) of that section], is the amount of the lump sum reduced by the sum, or the aggregate of the sums, paid by the employee by way of contribution to the provision of the lump sum.
- (3) A reduction under this section may not be claimed in respect of the same contribution in relation to more than one lump sum.
- (4) It is to be assumed, unless the contrary is shown, that no reduction is applicable under this section.”
- (9) In subsection (1) of section 399 (valuation of benefit in form of loan), for “administrator of” substitute “person who is (or any of the persons who are) the responsible person in relation to”.
- (10) In subsection (2) of that section, for “administrator” substitute “responsible person”.
- (11) For section 400 substitute—

### **“399A Responsible person**

- (1) The following heads specify the person who is, or persons who are, the responsible person in relation to an employer-financed retirement benefits scheme for the purposes of this Chapter.
- (2) But if a person is, or persons are, the responsible person in relation to the scheme by virtue of being specified under one head, no-one is the responsible person in relation to the scheme by virtue of being specified under a later head.

#### *Head 1*

If there are one or more trustees of the scheme who are resident in the United Kingdom, that trustee or each of those trustees.

#### *Head 2*

If there are one or more persons who control the management of the scheme, that person or each of those persons.

#### *Head 3*

If alive or still in existence, the employer, or any of the employers, who established the scheme and any person by whom that employer, or any of those employers, has been directly or indirectly succeeded in relation to the provision of benefits under the scheme.

#### *Head 4*

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Any employer of employees to or in respect of whom benefits are, or are to be, provided under the scheme.

#### Head 5

If there are one or more trustees of the scheme who are not resident in the United Kingdom, that trustee or each of those trustees.

### 400 Interpretation

In this Chapter—

“employer-financed retirement benefits scheme” has the meaning given by section 393A;

“relevant benefits” has the meaning given by section 393B; and

“responsible person” has the meaning given by section 399A.”

(12) In Part 2 of Schedule 1 to ITEPA 2003 (defined expressions), insert at the appropriate places—

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“employer-financed retirement benefits scheme (in Chapter 2 of Part 6)	section 393A”
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“relevant benefits (in Chapter 2 of Part 6)	section 393B”
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“responsible person (in Chapter 2 of Part 6)	section 399A”.
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#### Textual Amendments

**F697** Words in s. 249(3) substituted (6.4.2006) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), Sch. 1 para. 651\(2\)\(a\), Sch. 2 para. 161 \(with Sch. 2\)](#)

**F698** Words in s. 249(3) substituted (6.4.2006) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), Sch. 1 para. 651\(2\)\(b\), Sch. 2 para. 161 \(with Sch. 2\)](#)

**F699** Words in s. 249(8) substituted (6.4.2006) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), Sch. 1 para. 651\(3\), Sch. 2 para. 161 \(with Sch. 2\)](#)

#### Commencement Information

**I101** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

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## CHAPTER 7

### COMPLIANCE

#### *Information*

#### **250 Registered pension scheme return**

- (1) The Inland Revenue may, in relation to any tax year, by notice require the scheme administrator of a registered pension scheme—
  - (a) to make and deliver to the Inland Revenue a return containing any information reasonably required by the notice, and
  - (b) to deliver with the return any accounts, statements or other documents relating to information contained in the return which may reasonably be required by the notice.
- (2) The information that may be required to be included in the return is any information relating to—
  - (a) contributions made under the pension scheme,
  - (b) transfers of sums or assets held for the purposes of, or representing accrued rights under, another pension scheme so as to become held for the purposes of, or to represent rights under, the pension scheme,
  - (c) income and gains derived from investments or deposits held for the purposes of the pension scheme,
  - (d) other receipts of the pension scheme,
  - (e) the sums and other assets held for the purposes of the pension scheme,
  - (f) the liabilities of the pension scheme,
  - (g) the provision of benefits by the pension scheme,
  - (h) transfers of sums or assets held for the purposes of, or representing accrued rights under, the pension scheme so as to become held for the purposes of, or to represent rights under, another pension scheme,
  - (i) other expenditure of the pension scheme,
  - (j) the membership of the pension scheme, or
  - (k) any other matter relating to the administration of the pension scheme.
- (3) The information that may be required to be included in the return may be limited to information concerning any particular arrangement or arrangements under the pension scheme.
- (4) The notice must specify the period to be covered by the return.
- (5) The period may be—
  - (a) the whole or any specified part of the tax year, or
  - (b) if audited accounts of the pension scheme have been prepared for any period or periods ending in the tax year, the period or periods covered by the accounts.
- (6) “Audited accounts” means accounts audited by a person of a description specified in regulations made by the Board of Inland Revenue.
- (7) A return relating to the whole or part of, or to a period or periods ending in, a tax year must be delivered—

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- (a) where the notice requiring the return is given after the 31st October in the next tax year, before the end of the period of three months beginning with the day on which the notice is given, and
  - (b) otherwise, not later than the 31st January in the next tax year (but subject as follows).
- (8) If, in a case within paragraph (b) of subsection (7), the winding-up of the pension scheme has been completed before 31st October in the next tax year, the return must be delivered before the end of the period of three months beginning with the day on which the winding-up is completed.
- (9) But subsection (8) does not apply if the end of that period is before the end of the period of three months beginning with the day on which the notice is given; and in that case the return must be delivered before the end of that period.

**Modifications etc. (not altering text)**

**C139** S. 250(1) modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), **Sch. 3 Pt. 1**

**Commencement Information**

**I102** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

**251 Information: general requirements**

- (1) The Board of Inland Revenue may by regulations make provision requiring persons of a prescribed description—
- (a) to provide to the Inland Revenue, in a form specified by the Board of Inland Revenue, information of a prescribed description relating to any of the matters mentioned in subsection (2), and
  - (b) to preserve for a prescribed period any documents relating to such information.
- (2) Those matters are—
- (a) any matter relating to a registered pension scheme,
  - (b) any matter relating to a pension scheme which has ceased to be a registered pension scheme,
  - (c) any matter relating to a pension scheme in relation to which an application for registration has been made,
  - (d) any matter relating to an annuity purchased with sums or assets held for the purposes of a registered pension scheme,
  - (e) the coming into operation of an employer-financed retirement benefits scheme, and
  - (f) the provision of relevant benefits under an employer-financed retirement benefits scheme.
- (3) In subsection (2)—
- “employer-financed retirement benefits scheme”, and
  - “relevant benefits”,

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have the same meaning as in Chapter 2 of Part 6 of ITEPA 2003 (see sections 393A and 393B of that Act).

- (4) The Board of Inland Revenue may by regulations make provision—
- (a) requiring scheme administrators of registered pension schemes or other persons of a prescribed description to provide information of a prescribed description to persons of such of the descriptions mentioned in subsection (5) as are prescribed [F700 or to the scheme administrators of other registered pension schemes], F701 ...
  - (b) requiring persons of such of the descriptions specified in subsection (5) as are prescribed to provide information of a prescribed description to the scheme administrators of registered pension schemes,
  - [F702](ba) requiring, in a case where a payment (“the onwads payment”) is made directly or indirectly out of a sum on whose payment tax has been charged under section 206, the person making the onwads payment to provide information of a prescribed description to the person to whom the onwads payment is made,]
  - [F703](c) requiring scheme administrators of registered pension schemes to provide information of a prescribed description to scheme managers of qualifying recognised overseas pension schemes, or
  - (d) requiring members or former members of a relevant non-UK pension scheme to provide information to the scheme administrators, or scheme managers, of registered pension schemes or other relevant non-UK pension schemes.]
- (5) Those persons are—
- (a) members of a registered pension scheme,
  - [F704](aa) employers of members of a registered pension scheme,]
  - (b) persons who have ceased to be members of a registered pension scheme,
  - (c) persons to whom benefits under a registered pension scheme are being, or have been, provided,
  - (d) the personal representatives of any person within paragraphs (a) to (c), and
  - (e) insurance companies who pay annuities purchased with sums or assets held for the purposes of registered pension schemes.
- (6) “Prescribed”, in relation to regulations, means prescribed [F705], and “relevant non-UK scheme” has the meaning given by paragraph 1 of Schedule 34].

#### Textual Amendments

- F700** Words in s. 251(4)(a) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\), Sch. 10 paras. 47, 64\(1\)](#)
- F701** Word in s. 251(4)(a) omitted (17.12.2014) by virtue of [Taxation of Pensions Act 2014 \(c. 30\), Sch. 1 para. 93\(2\)\(a\)](#)
- F702** S. 251(4)(ba) inserted (with effect in accordance with s. 21(10) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\), s. 21\(6\)](#)
- F703** S. 251(4)(c)(d) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\), Sch. 1 para. 93\(2\)\(b\)](#)
- F704** S. 251(5)(aa) inserted (8.4.2010) by [Finance Act 2010 \(c. 13\), s. 49](#)
- F705** Words in s. 251(6) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\), Sch. 1 para. 93\(3\)](#)

#### Commencement Information

- I103** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

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<sup>F706</sup> **252 Notices requiring documents or particulars**

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**Textual Amendments**

**F706** S. 252 omitted (1.4.2010) by virtue of [The Finance Act 2009, Section 96 and Schedule 48 \(Appointed Day, Savings and Consequential Amendments\) Order 2009 \(S.I. 2009/3054\)](#), art. 1, **Sch. para. 13** (with art. 8)

<sup>F707</sup> **253 Appeal against notices**

.....

**Textual Amendments**

**F707** S. 253 omitted (1.4.2010) by virtue of [The Finance Act 2009, Section 96 and Schedule 48 \(Appointed Day, Savings and Consequential Amendments\) Order 2009 \(S.I. 2009/3054\)](#), art. 1, **Sch. para. 13** (with art. 8)

*Accounting and assessment*

**254 Accounting for tax by scheme administrators**

- (1) A scheme administrator of a registered pension scheme must make returns to the Inland Revenue of the income tax to which the scheme administrator is liable under this Part.
- (2) A return is to be made for each period of three months ending with 31st March, 30th June, 30th September or 31st December if tax has been charged on the scheme administrator by virtue of this Part in that period.
- (3) A return for any period must be made before the end of the period of 45 days beginning with the day immediately following the end of that period.
- (4) A return must—
  - (a) show the income tax to which the scheme administrator is liable, and
  - (b) include such particulars of the events or other circumstances giving rise to the liability (including particulars as to the persons to whom the events or other circumstances relate) as are required to be included in returns under this section by regulations made by the Board of Inland Revenue.
- (5) The income tax required to be shown in a return is due at the time by which the return is to be made and is payable without the making of an assessment.
- (6) The Board of Inland Revenue may by regulations make provision for and in connection with—
  - (a) the charging of interest on tax due under this section which is not paid on or before the due date,
  - (b) the making of amended returns by scheme administrators in the event of error in a return under this section,

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- [<sup>F708</sup>(ba) repayments under section 244M to scheme administrators,]  
 (c) the making of assessments, repayments or adjustments in cases where the correct tax due under this section has not been paid on or before the due date, and  
 (d) otherwise for supplementing this section.
- (7) The regulations may, in particular—  
 (a) modify the operation of any provision of the Tax Acts, or  
 (b) provide for the application of any provision of the Tax Acts (with or without modifications).
- [<sup>F709</sup>(7A) Where a scheme administrator is liable under section 237B in respect of the annual allowance charge for a tax year, for the purposes of subsection (2) the tax is to be taken to be charged on the scheme administrator in the period ending with 31 December in the year following that in which that tax year ended (or such earlier period as the scheme administrator may elect in a return for that earlier period).
- (7B) But if the notice which gave rise to the liability is amended in accordance with regulations under section 237B(5)(c), any additional tax to which the scheme administrator becomes liable is to be taken for the purposes of subsection (2) to be charged in the later of the period in which it is taken to be charged by virtue of subsection (7A) and the period in which the scheme administrator receives notice of the amendment.]
- (8) References in this section to the income tax to which a scheme administrator is liable under this Part do not include any to which the scheme administrator is liable under section 239 (scheme sanction charge).
- (9) Where the registration of a registered pension scheme has been withdrawn, this section has effect as if references to the scheme administrator were to the person who was, or each of the persons who were, the scheme administrator immediately before the registration was withdrawn.

#### Textual Amendments

**F708** S. 254(6)(ba) inserted (with effect in accordance with Sch. 4 para. 25 of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 4 para. 15](#)

**F709** S. 254(7A)(7B) inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 18](#)

#### Modifications etc. (not altering text)

**C140** S. 254 modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), [Sch. 3 Pt. 1](#)

**C141** S. 254(7A) applied (with modifications) (19.7.2011) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 33](#)

#### Commencement Information

**I104** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 255 Assessments under this Part

- (1) The Board of Inland Revenue may by regulations make provision for and in connection with the making of assessments in respect of—



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- (a) the unauthorised payments charge,
  - (b) the unauthorised payments surcharge,
  - (c) liability to the lifetime allowance charge under section 217(2) (person to whom lump sum death benefit paid),
  - [<sup>F710</sup>(ca) liability to the annual allowance charge by virtue of section 237B,]
  - (d) the scheme sanction charge,
  - [<sup>F711</sup>(da) liability of the scheme administrator of a registered pension scheme, or the scheme manager of a qualifying recognised overseas pension scheme or of a former such scheme, to the overseas transfer charge,]
  - (e) liability under section 272 (trustees etc. liable as scheme administrator),
  - [<sup>F712</sup>(ea) liability under section 272C (former scheme administrator to retain liability in cases involving independent trustees etc),]
  - (f) liability under section 273 (member liable as scheme administrator), and
  - (g) liability under section 394 of ITEPA 2003 (benefit under employer-financed retirement benefits scheme: charge on responsible person).
- (2) The provision that may be made by the regulations includes (in particular) provision for the charging of interest on tax due under such assessments which remains unpaid.
- (3) The regulations may, in particular—
- (a) modify the operation of any provision of the Tax Acts, or
  - (b) provide for the application of any provision of the Tax Acts (with or without modification).

#### Textual Amendments

**F710** S. 255(1)(ca) inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 19](#)

**F711** S. 255(1)(da) inserted (retrospective to 9.3.2017 and with effect in accordance with Sch. 4 para. 25 of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 4 para. 16](#)

**F712** S. 255(1)(ea) inserted (17.7.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 para. 17](#)

#### Commencement Information

**I105** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

### <sup>F713</sup>Payment

#### Textual Amendments

**F713** Ss. 255A, 255B and cross-heading inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 48, 64\(1\)](#)

## 255A Electronic payment

- (1) The Board of Inland Revenue may give directions requiring specified persons to use electronic means for the making of specified payments required to be made under or by virtue of this Part.

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- (2) Directions under this section may make provision—
- (a) as to conditions that must be complied with in connection with the use of electronic means for the making of any payment,
  - (b) for treating a payment as not having been made unless conditions imposed by the directions are satisfied, and
  - (c) for determining the time when a payment in accordance with directions under this section is to be taken to be made.
- (3) Directions under this section may also make provision (which may include provision for the application of conclusive or other presumptions) as to the manner of proving for any purpose—
- (a) whether any use of electronic means for making a payment is to be taken as having resulted in the payment being made,
  - (b) the time of the making of any payment for the making of which electronic means have been used, and
  - (c) any other matter for which provision may be made by directions under this section.
- (4) Directions under this section—
- (a) may be specific or general, and
  - (b) may provide that the conditions of any authorisation or requirement imposed by the directions are to be taken to be satisfied only where the Inland Revenue is satisfied as to specified matters.
- (5) Directions under this section may—
- (a) suspend for any period during which the use of electronic means for the making of payments is impossible or impractical, any requirements imposed by the directions relating to the use of such means,
  - (b) substitute alternative requirements for the suspended ones, and
  - (c) make any provision that is necessary in consequence of the imposition of the substituted requirements.
- (6) Directions under this section may—
- (a) make different provision for different cases,
  - (b) make such incidental, supplementary, consequential and transitional provision in connection with any provision contained in such directions as the Board of Inland Revenue thinks fit.
- (7) In this section—
- “the Inland Revenue” includes any person who for the purposes of the electronic means of payment is acting under the authority of the Board of Inland Revenue, and
- “specified” means specified in a direction under this section.

## **255B Payments to be cleared payments**

- (1) A payment made to the Board of Inland Revenue or the Inland Revenue under or by virtue of this Part (otherwise than in cash) is to be treated as not having been made until the earliest date on or before which all the transactions that need to be completed before the whole amount of the payment becomes available to the Board are capable of being completed.

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- (2) In this section “the Inland Revenue” includes any person who is acting under the authority of the Board of Inland Revenue.]

### *Registration regulations*

## **256 Enhanced lifetime allowance regulations**

- (1) This section applies to regulations made by the Board of Inland Revenue under—
- (a) section 220(5) (lifetime allowance enhancement: registration of pension credits),
  - (b) section 221(6) (lifetime allowance enhancement: individuals who are not always relevant UK individuals),
  - (c) section 224(9) (lifetime allowance enhancement: transfers from recognised overseas pension scheme),
  - (d) paragraph 7(1)(b) [<sup>F714</sup>or 11A(1)(c)] of Schedule 36 (lifetime allowance enhancement: primary protection),
  - (e) paragraph 12(1) [<sup>F715</sup>or 15A(1)(b)] of that Schedule (lifetime allowance: enhanced protection), and
  - (f) paragraph 18(6) of that Schedule (lifetime allowance enhancement: pre-commencement pension credits).
- (2) The regulations to which this section applies are referred to in this Part as “enhanced lifetime allowance regulations”.
- (3) Enhanced lifetime allowance regulations may include any provision that appears appropriate for securing that the correct tax is charged—
- (a) by way of the lifetime allowance charge in respect of amounts crystallised by benefit crystallisation events, and
  - (b) in respect of the payment of lump sums by registered pension schemes.
- (4) Enhanced lifetime allowance regulations may, for that purpose, in particular contain provision—
- (a) requiring any person to produce or make available documents, produce certificates or provide information, and
  - (b) for the review from time to time of any matter registered in accordance with the regulations.

### **Textual Amendments**

**F714** Words in s. 256(1)(d) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 42\(a\)](#)

**F715** Words in s. 256(1)(e) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 42\(b\)](#)

### **Commencement Information**

**I106** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

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## Penalties

### 257 Registered pension scheme return

- (1) If the scheme administrator of a registered pension scheme fails to comply with a notice under section 250 (registered pension scheme return), the scheme administrator is liable to a penalty of £100.
- (2) If the failure continues after a penalty is imposed under subsection (1), the scheme administrator is liable to a further penalty not exceeding £60 for each day on which the failure continues after the day on which that penalty was imposed (but excluding any day for which a penalty under this subsection has already been imposed).
- (3) No penalty may be imposed under subsection (1) or (2) in respect of a failure after it has been remedied.
- (4) If the scheme administrator of a registered pension scheme fraudulently or negligently—
  - (a) makes an [<sup>F716</sup>inaccurate] return required by a notice under section 250, or
  - (b) delivers any [<sup>F716</sup>inaccurate] accounts, statements or other documents with such a return,
 the scheme administrator is liable to a penalty not exceeding £3,000.

#### Textual Amendments

**F716** Word in s. 257(4)(a)(b) substituted (17.7.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 para. 23\(b\)](#)

#### Modifications etc. (not altering text)

**C142** S. 257 modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), [Sch. 3 Pt. 1](#)

#### Commencement Information

**I107** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

### 258 Information required by regulations

- (1) In section 98 of TMA 1970 (penalties for failure to provide information and providing false information), in the second column of the Table, insert at the appropriate place — “regulations under section 251(1)(a) or (4) of the Finance Act 2004;”.
- (2) A person who fails to comply with regulations under section 251(1)(b) (preservation of documents) is liable to a penalty not exceeding £3,000.

#### Modifications etc. (not altering text)

**C143** S. 258(1) modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), [Sch. 3 Pt. 1](#)

**C144** S. 258(2) modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), [Sch. 3 Pt. 1](#)

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### Commencement Information

**I108** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## <sup>F717</sup>259 Documents and particulars required by notice

.....

### Textual Amendments

**F717** S. 259 omitted (1.4.2010) by virtue of [The Finance Act 2009, Section 96 and Schedule 48 \(Appointed Day, Savings and Consequential Amendments\) Order 2009 \(S.I. 2009/3054\)](#), art. 1, **Sch. para. 13** (with art. 8)

## 260 Accounting return

- <sup>F718</sup>(1) .....
- <sup>F718</sup>(2) .....
- <sup>F718</sup>(3) .....
- <sup>F718</sup>(4) .....
- <sup>F718</sup>(5) .....
- <sup>F719</sup>(6) .....
- <sup>F719</sup>(7) .....

### Textual Amendments

- F718** S. 260(1)-(5) omitted (1.4.2011) by virtue of [The Finance Act 2009, Schedules 55 and 56 \(Income Tax Self Assessment and Pension Schemes\) \(Appointed Days and Consequential and Savings Provisions\) Order 2011 \(S.I. 2011/702\)](#), arts. 1(1), **14** (with arts. 1(2), 21)
- F719** S. 260(6)(7) omitted (1.6.2013) by virtue of [The Pension Schemes \(Miscellaneous Amendments\) Order 2013 \(S.I. 2013/1114\)](#), arts. 1(1), **5**

## 261 Enhanced lifetime allowance regulations: documents and information

- (1) This section applies where an individual fraudulently or negligently—
  - (a) produces or makes available an [<sup>F720</sup>inaccurate] document, or produces an [<sup>F720</sup>inaccurate] certificate, in connection with any matter registered in accordance with enhanced lifetime allowance regulations, or
  - (b) provides false information in connection with any such matter, and the condition in subsection (2) is met.
- (2) The condition is that—
  - (a) the amount of the individual's lifetime allowance at the time which is relevant for the purposes of this paragraph, or

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- (b) the amount of the pension commencement lump sums to which the individual may be entitled at the time which is relevant for the purposes of this paragraph, would be greater than it actually is were the document or certificate correct or the information true.
- (3) The individual is liable to a penalty not exceeding 25% of the relevant excess.
- (4) In a case within paragraph (a) of subsection (2), the relevant excess is the difference between what would be the amount of the individual's lifetime allowance at the time which is relevant for the purposes of that paragraph (were the document or certificate correct or the information true) and whichever is the higher of—
- (a) the actual amount of the individual's lifetime allowance at that time, and
  - (b) the standard lifetime allowance at that time.
- (5) The time which is relevant for the purposes of paragraph (a) of subsection (2)—
- (a) where a benefit crystallisation event has occurred in relation to the individual since the document was produced or made available, the certificate produced or the information provided (but before a penalty under this section is imposed), is the time when the benefit crystallisation event occurred, and
  - (b) otherwise, is the time when the document was produced or made available, the certificate produced or the information provided.
- (6) In a case within paragraph (b) of subsection (2), the relevant excess is the difference between—
- (a) what would be the amount of the pension commencement lump sums to which the individual may be entitled at the time which is relevant for the purposes of that paragraph (were the document or certificate correct or the information true), and
  - (b) the actual amount at that time of the pension commencement lump sums to which the individual may be entitled.
- (7) The time which is relevant for the purposes of paragraph (b) of subsection (2) is the time when the document was produced or made available, the certificate produced or the information provided.

#### Textual Amendments

**F720** Word in s. 261(1)(a) substituted (17.7.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 para. 23\(c\)](#)

#### Modifications etc. (not altering text)

**C145** S. 261 applied (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\)](#), [regs. 1\(1\)](#), [11\(2\)](#)

#### Commencement Information

**I109** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 262 Enhanced lifetime allowance regulations: failures to comply

An individual who fails—

- (a) to produce or make available any document required to be produced by enhanced lifetime allowance regulations,

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- (b) to produce any certificate required to be produced by enhanced lifetime allowance regulations, or
  - (c) to provide any information required to be provided by enhanced lifetime allowance regulations,
- is liable to a penalty not exceeding £3,000.

**Modifications etc. (not altering text)**

**C146** S. 262 applied (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\)](#), regs. 1(1), **11(2)**

**Commencement Information**

**I110** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

**263 Lifetime allowance enhanced protection: benefit accrual**

- (1) This section applies where—
  - (a) paragraph 12 of Schedule 36 (lifetime allowance charge: enhanced protection) applies in relation to an individual, and
  - (b) relevant benefit accrual occurs in relation to the individual (as to which see paragraph 13 of that Schedule).
- (2) If the individual fails to notify the Inland Revenue of the relevant benefit accrual within the period of 90 days beginning with the day on which it occurs, the individual is liable to a penalty not exceeding £3,000.

**Modifications etc. (not altering text)**

**C147** S. 263 applied (with modifications) (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\)](#), regs. 1(1), **5-11**

**Commencement Information**

**I111** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

**264 False statements etc**

- (1) A person who fraudulently or negligently makes a false statement or representation is liable to a penalty not exceeding £3,000 if, in consequence of the statement or representation—
  - (a) that person or any other person obtains relief from, or repayment of, tax chargeable under this Part, or
  - (b) a registered pension scheme makes a payment which is an unauthorised payment.
- (2) A person who assists in or induces the preparation of any document which the person knows—
  - (a) is [<sup>F721</sup>inaccurate], and

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- (b) will, or is likely to, cause a registered pension scheme to make an unauthorised payment,  
 is liable to a penalty not exceeding £3,000.

#### Textual Amendments

**F721** Word in s. 264(2)(a) substituted (17.7.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 para. 23\(d\)](#)

#### Commencement Information

**I112** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

### 265 Winding-up to facilitate payment of lump sums

- (1) This section applies where the winding-up of a registered pension scheme has begun and the Inland Revenue considers the pension scheme is being wound up wholly or mainly for the purpose specified in subsection (2).
- (2) That purpose is facilitating the payment of winding-up lump sums or winding-up lump sum death benefits (or both) under the pension scheme.
- (3) The scheme administrator is liable to a penalty not exceeding the relevant amount.
- (4) The relevant amount is £3,000 in respect of—
  - (a) each member to whom a winding-up lump sum is paid under the pension scheme, and
  - (b) each member in respect of whom a winding-up lump sum death benefit is paid under the pension scheme.

#### Modifications etc. (not altering text)

**C148** S. 265(3) modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), [Sch. 3 Pt. 1](#)

#### Commencement Information

**I113** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

### 266 Transfers to insured schemes

- (1) This section applies where sums held for the purposes of, or representing accrued rights under, a registered pension scheme (“the transferor scheme”) are transferred so as to become held for the purposes of, or to represent rights under, a registered pension scheme that is an insured scheme (“the transferee scheme”).
- (2) The scheme administrator of the transferor scheme is liable to a penalty not exceeding £3,000 unless the sums are transferred either to the scheme administrator of the transferee scheme or to a relevant insurance company.
- (3) In this section—



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“insured scheme” means a pension scheme all the income and other assets of which are invested in policies of insurance, and

“relevant insurance company” means an insurance company that issued any of the policies of insurance.

#### **Modifications etc. (not altering text)**

**C149** S. 266(2) modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), **Sch. 3 Pt. 1**

#### **Commencement Information**

**I114** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

*[<sup>F722</sup>Relief from liability in respect of returned unauthorised member payments*

#### **Textual Amendments**

**F722** Ss. 266A, 266B and cross-heading inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), **Sch. 10 paras. 4, 64(1)**

### **266A Member's liability**

- (1) This section applies where—
  - (a) a liability to the unauthorised payments charge, or to both the unauthorised payments charge and the unauthorised payments surcharge, has arisen in respect of an unauthorised member payment, and
  - (b) property or money is transferred, or a sum paid, towards a registered pension scheme pursuant to [<sup>F723</sup>a relevant order] as a result of the unauthorised member payment.
- (2) The member of the registered pension scheme to or in respect of whom the unauthorised member payment was made (or, if it was paid after his death, the recipient) may claim relief from—
  - (a) the relevant proportion of the unauthorised payments charge, and
  - (b) if a liability to the unauthorised payments surcharge has arisen and subsection (4) is satisfied, the relevant proportion of the unauthorised payments surcharge.
- (3) The claim must be made within the period of one year beginning with the day on which the property or money is transferred, or the sum paid.
- (4) This subsection is satisfied if no part of the unauthorised member payment and no asset or sum representing it—
  - (a) has been received by (or on behalf of) the member or a person connected with the member, or
  - (b) has been held for more than 180 days by a person or succession of persons, other than the member or a person connected with the member, involved in any transaction by which the unauthorised member payment was made.

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- (5) The relevant proportion of the unauthorised payments charge or the unauthorised payments surcharge is—

ASOUMP

where—

ASO is the amount subject to the [<sup>F724</sup>relevant] order, that is the aggregate of the market value of any property and the amount of any money transferred, or the amount of the sum paid, towards a registered pension scheme pursuant to the [<sup>F725</sup>relevant order] in respect of the unauthorised member payment, and

UMP is the amount of the unauthorised member payment.

- (6) But if ASO is greater than UMP, the relevant proportion of the unauthorised payments charge or the unauthorised payments surcharge is the whole of it.

[ In this section “relevant order” means an order under any of the following—

- <sup>F726</sup>(6A) (a) section 16(1), 19(4) or 21(2)(a) of the Pensions Act 2004 (orders for money etc to be restored to pension schemes), or  
(b) Article 12(1), 15(4) or 17(2)(a) of the Pensions (Northern Ireland) Order 2005 (corresponding provision for Northern Ireland).]

[<sup>F727</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

**F723** Words in s. 266A(1)(b) substituted (with effect in accordance with Sch. 7 para. 16 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 para. 14\(2\)](#)

**F724** Word in s. 266A(5) inserted (with effect in accordance with Sch. 7 para. 16 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 para. 14\(3\)\(a\)](#)

**F725** Words in s. 266A(5) substituted (with effect in accordance with Sch. 7 para. 16 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 para. 14\(3\)\(b\)](#)

**F726** S. 266A(6A) inserted (with effect in accordance with Sch. 7 para. 16 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 para. 14\(4\)](#)

**F727** S. 266A(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. 477](#) (with [Sch. 2](#))

### 266B Scheme's liability

- (1) This section applies where—
- (a) the scheme administrator of a registered pension scheme has become liable to the scheme sanction charge in respect of an unauthorised member payment, and
  - (b) property or money is transferred, or a sum paid, towards a registered pension scheme pursuant to [<sup>F728</sup>a relevant order] as a result of the unauthorised member payment.
- (2) The scheme administrator may, within the period of one year beginning with the day on which the property or money is transferred, or the sum paid, claim relief from the relevant proportion of the scheme sanction charge.
- (3) The relevant proportion of the scheme sanction charge is—

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## ASOUMP

where—

ASO is the amount subject to the [<sup>F729</sup>relevant] order, that is the aggregate of the market value of any property and the amount of any money transferred, or the amount of the sum paid, towards a registered pension scheme pursuant to the [<sup>F730</sup>relevant order] in respect of the unauthorised member payment, and

UMP is the amount of the unauthorised member payment.

- (4) But if ASO is greater than UMP, the relevant proportion of the scheme sanction charge is the whole of it.

[ In this section “relevant order” means an order under any of the following—

- <sup>F731</sup>(5) (a) section 16(1), 19(4) or 21(2)(a) of the Pensions Act 2004 (orders for money etc to be restored to pension schemes), or  
(b) Article 12(1), 15(4) or 17(2)(a) of the Pensions (Northern Ireland) Order 2005 (corresponding provision for Northern Ireland).]

### Textual Amendments

- F728** Words in s. 266B(1)(b) substituted (with effect in accordance with Sch. 7 para. 16 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 para. 15\(2\)](#)
- F729** Word in s. 266B(3) inserted (with effect in accordance with Sch. 7 para. 16 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 para. 15\(3\)\(a\)](#)
- F730** Words in s. 266B(3) substituted (with effect in accordance with Sch. 7 para. 16 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 para. 15\(3\)\(b\)](#)
- F731** S. 266B(5) inserted (with effect in accordance with Sch. 7 para. 16 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 para. 15\(4\)](#)

### Modifications etc. (not altering text)

- C150** S. 266B modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), [Sch. 3 Pt. 1](#)

*Discharge of tax liability: good faith*

## 267 Lifetime allowance charge

- (1) This section applies where the scheme administrator of a registered pension scheme is liable to the lifetime allowance charge in respect of a benefit crystallisation event.
- (2) The scheme administrator may apply to the Inland Revenue for the discharge of the scheme administrator’s liability to the lifetime allowance charge in respect of the benefit crystallisation event on the ground mentioned in subsection (3).
- (3) The ground is that—
- (a) the scheme administrator reasonably believed that there was no liability to the lifetime allowance charge in respect of the benefit crystallisation event, and
  - (b) in all the circumstances of the case, it would not be just and reasonable for the scheme administrator to be liable to the lifetime allowance charge in respect of the benefit crystallisation event.

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- (4) On receiving an application under subsection (2), the Inland Revenue must decide whether to discharge the scheme administrator's liability to the lifetime allowance charge in respect of the benefit crystallisation event.
- (5) The scheme administrator may apply to the Inland Revenue for the discharge of part of the scheme administrator's liability to the lifetime allowance charge in respect of the benefit crystallisation event on the ground mentioned in subsection (6).
- (6) The ground is that—
  - (a) the scheme administrator reasonably believed that the amount of the lifetime allowance charge in respect of the benefit crystallisation event was less than the actual amount, and
  - (b) in all the circumstances of the case, it would not be just and reasonable for the scheme administrator to be liable to an amount ("the excess amount") equal to the difference between the amount which the scheme administrator believed to be the amount of the charge and the actual amount.
- (7) On receiving an application under subsection (5), the Inland Revenue must decide whether to discharge the scheme administrator's liability to the lifetime allowance charge in respect of the excess amount (or part of the excess amount).
- (8) The discharge of the scheme administrator's liability to the lifetime allowance charge (or to the excess amount or part of the excess amount) does not affect the liability of any other person to the lifetime allowance charge.
- (9) The Inland Revenue must notify the scheme administrator of the decision on an application under this section.
- (10) Regulations made by the Board of Inland Revenue may make provision supplementing this section; and the regulations may in particular make provision as to the time limits for the making of an application.

**Modifications etc. (not altering text)**

**C151** S. 267 modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), **Sch. 3 Pt. 1**

**Commencement Information**

**I115** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 268 Unauthorised payments surcharge and scheme sanction charge

- (1) This section applies where—
  - (a) a person is liable to the unauthorised payments surcharge in respect of an unauthorised payment, or
  - (b) the scheme administrator of a registered pension scheme is liable to the scheme sanction charge in respect of a scheme chargeable payment.
- (2) The person liable to the unauthorised payments surcharge may apply to the Inland Revenue for the discharge of the person's liability to the unauthorised payments surcharge in respect of the unauthorised payment on the ground mentioned in subsection (3).

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- (3) The ground is that in all the circumstances of the case, it would not be just and reasonable for the person to be liable to the unauthorised payments surcharge in respect of the payment.
  - (4) On receiving an application by a person under subsection (2) the Inland Revenue must decide whether to discharge the person's liability to the unauthorised payments surcharge in respect of the payment.
  - (5) The scheme administrator may apply to the Inland Revenue for the discharge of the scheme administrator's liability to the scheme sanction charge in respect of a scheme chargeable payment on the ground mentioned in subsection (6) or (7).
  - (6) In the case of a scheme chargeable payment which is treated as being an unauthorised member payment by section 172<sup>F732</sup>, 172A, 172B, <sup>F733</sup>... 172C or 172D <sup>F734</sup>..., the ground is that, in all the circumstances of the case, it would not be just and reasonable for the scheme administrator to be liable to the scheme sanction charge.
  - (7) In any other case, the ground is that—
    - (a) the scheme administrator reasonably believed that the unauthorised payment was not a scheme chargeable payment, and
    - (b) in all the circumstances of the case, it would not be just and reasonable for the scheme administrator to be liable to the scheme sanction charge in respect of the unauthorised payment.
- <sup>F735</sup>(7A) Subsection (7) applies with the omission of its paragraph (a) if the scheme chargeable payment is a payment of a lump sum where the conditions in paragraph 1B(2)(a) to (g) of Schedule 29 are met.]
- (8) On receiving an application under subsection (5), the Inland Revenue must decide whether to discharge the scheme administrator's liability to the scheme sanction charge in respect of the unauthorised payment.
  - (9) The Inland Revenue must notify the applicant of the decision on an application under this section.
  - (10) Regulations made by the Board of Inland Revenue may make provision supplementing this section; and the regulations may in particular make provision as to the time limits for the making of an application.

#### Textual Amendments

- F732** Words in s. 268(6) substituted (retrospective to 6.4.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 19 paras. 1729\(7\)](#)
- F733** Word in s. 268(6) 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. 75\(a\)](#)
- F734** Words in s. 268(6) omitted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 75\(b\)](#)
- F735** S. 268(7A) inserted (19.3.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 5 paras. 12\(3\), 15](#)

#### Modifications etc. (not altering text)

- C152** S. 268 modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), [Sch. 3 Pt. 1](#)

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### Commencement Information

**I116** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 269 Appeal against decision on discharge of liability

- (1) This section applies where the Inland Revenue—
  - (a) decides to refuse an application under [<sup>F736</sup>section 237D (discharge of scheme administrator's liability to annual allowance charge),][<sup>F737</sup>section 244N (discharge of liability to overseas transfer charge),] section 267(2) (discharge of liability to lifetime allowance charge) or section 268 (discharge of liability to unauthorised payments surcharge or scheme sanction charge), or
  - (b) on an application under section 267(5), decides to refuse the application or to discharge the applicant's liability to the lifetime allowance charge in respect of part only of the excess amount.
- (2) The applicant may appeal against the decision.
- <sup>F738</sup>(3) .....
- <sup>F738</sup>(4) .....
- (5) An appeal under this section against a decision must be brought within the period of 30 days beginning with the day on which the applicant was given notification of the decision.
- (6) [<sup>F739</sup>On an appeal under subsection (1)(a) that is notified to the tribunal, the tribunal] must consider whether the applicant's liability to the lifetime allowance charge, unauthorised payments surcharge or scheme sanction charge ought to have been discharged.
- (7) If [<sup>F740</sup>the tribunal considers] that the applicant's liability ought not to have been discharged, [<sup>F741</sup>the tribunal must] dismiss the appeal.
- (8) If [<sup>F740</sup>the tribunal considers] that the applicant's liability ought to have been discharged, [<sup>F741</sup>the tribunal must] grant the application.
- (9) [<sup>F742</sup>On an appeal under subsection (1)(b) that is notified to the tribunal, the tribunal] must consider whether the applicant's liability to the lifetime allowance charge ought to have been discharged in respect of the excess amount or a greater part of the excess amount.
- (10) If [<sup>F743</sup>the tribunal considers] that the applicant's liability ought not to have been discharged in respect of the excess amount or a greater part of the excess amount, [<sup>F744</sup>the tribunal must] dismiss the appeal.
- (11) If [<sup>F743</sup>the tribunal considers] that the applicant's liability ought to have been discharged in respect of the excess amount or a greater part of the excess amount, [<sup>F744</sup>the tribunal must] discharge the applicant's liability in respect of the excess amount or that part of the excess amount.

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### Textual Amendments

- F736** Words in s. 269(1)(a) inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 20](#)
- F737** Words in s. 269(1)(a) inserted (with effect in accordance with Sch. 4 para. 25 of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 4 para. 17](#)
- F738** S. 269(3)(4) omitted (1.4.2009) by virtue of [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 427\(2\)](#)
- F739** Words in s. 269(6) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 427\(3\)](#)
- F740** Words in s. 269(7)(8) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 427\(4\)\(a\)](#)
- F741** Words in s. 269(7)(8) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 427\(4\)\(b\)](#)
- F742** Words in s. 269(9) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 427\(5\)](#)
- F743** Words in s. 269(10)(11) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 427\(6\)\(a\)](#)
- F744** Words in s. 269(10)(11) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 427\(6\)\(b\)](#)

### Commencement Information

- I117** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## *Scheme administrator*

### 270 Meaning of “scheme administrator”

- (1) References in this Part to the scheme administrator, in relation to a pension scheme, are to the person who is, or persons who are, appointed in accordance with the rules of the pension scheme to be responsible for the discharge of the functions conferred or imposed on the scheme administrator of the pension scheme by and under this Part.
- (2) But a person cannot be the person who is, or one of the persons who are, the scheme administrator of a pension scheme unless the person—
  - (a) is resident in the United Kingdom or another state which is a member State or a non-member EEA State,<sup>F745</sup>...
  - (b) has made the required declaration to the Inland Revenue<sup>F746</sup>, and
  - (c) has made to an officer of Revenue and Customs any other declarations which are reasonably required by Her Majesty's Revenue and Customs.]
- (3) “The required declaration” is a declaration that the person—
  - (a) understands that the person will be responsible for discharging the functions conferred or imposed on the scheme administrator of the pension scheme by and under this Part, and
  - (b) intends to discharge those functions at all times, whether resident in the United Kingdom or another state which is a member State or a non-member EEA State.

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- (4) “Non-member EEA State” means a State which is a contracting party to the Agreement on the European Economic Area signed at Oporto on 2nd May 1992 (as adjusted by the Protocol signed at Brussels on 17th March 1993) but which is not a member State.

#### Textual Amendments

**F745** Word in s. 270(2) omitted (with effect in accordance with Sch. 7 para. 9(2) of the amending Act) by virtue of [Finance Act 2014 \(c. 26\)](#), [Sch. 7 para. 9\(1\)\(a\)](#)

**F746** S. 270(2)(c) and preceding word inserted (with effect in accordance with Sch. 7 para. 9(2) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 para. 9\(1\)\(b\)](#)

#### Modifications etc. (not altering text)

**C153** S. 270(2) applied (with modifications) (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), [3\(4\)](#)

**C154** S. 270(3) applied (with modifications) (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), [3\(4\)](#)

#### Commencement Information

**I118** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 271 Liability of scheme administrator

- (1) Any liability of a person who is, or of any of the persons who are, the scheme administrator of a registered pension scheme ceases to be a liability of that person on the person ceasing to be, or to be one of the persons who is, the scheme administrator of the pension scheme.

This subsection does not apply to a liability to pay a penalty and is subject to subsection (4).

- (2) Where a person becomes, or becomes one of the persons who is, the scheme administrator of a registered pension scheme, the person assumes any existing liabilities of the scheme administrator of the pension scheme, other than any liability to pay a penalty.
- (3) Subsection (4) applies where, on the person who is or the persons who are the scheme administrator of a registered pension scheme ceasing to be the scheme administrator, there is no scheme administrator of the pension scheme.
- (4) Any liability of the person or persons as scheme administrator remains a liability of that person or those persons as if still the scheme administrator (unless dead or having ceased to exist) until another person becomes, or other persons become, the scheme administrator of the pension scheme.
- (5) But a person who retains, or persons who retain, any liability by virtue of subsection (4) may apply to the Inland Revenue to be released from the liability.
- (6) On receipt of the application the Inland Revenue must decide whether or not to release the applicant or applicants from the liability and must notify the applicant, or each of the applicants, of the decision.



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(7) If the decision is not to release the applicant or applicants from the liability the applicant or applicants may appeal against the decision.

<sup>F747</sup>(8) .....

(9) The appeal must be brought within the period of 30 days beginning with the day on which the applicant was notified of the decision.

<sup>F748</sup>(10) .....

(11) [<sup>F749</sup>On an appeal that is notified to the tribunal, the tribunal] must consider whether the applicant or applicants ought to have been released from the liability.

(12) If [<sup>F750</sup>the tribunal decides] that the applicant or applicants ought not to have been released from the liability, [<sup>F751</sup>the tribunal must] dismiss the appeal.

(13) If [<sup>F752</sup>the tribunal decides] that the applicant or applicants ought to have been released from the liability, the applicant is, or applicants are, to be treated as having been released from the liability (but subject to any further appeal <sup>F753</sup>...).

#### Textual Amendments

**F747** S. 271(8) omitted (1.4.2009) by virtue of [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 428(2)**

**F748** S. 271(10) omitted (1.4.2009) by virtue of [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 428(2)**

**F749** Words in s. 271(11) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 428(3)**

**F750** Words in s. 271(12) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 428(4)(a)**

**F751** Words in s. 271(12) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 428(4)(b)**

**F752** Words in s. 271(13) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 428(5)(a)**

**F753** Words in s. 271(13) omitted (1.4.2009) by virtue of [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 428(5)(b)**

#### Modifications etc. (not altering text)

**C155** S. 271 modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), **Sch. 3 Pt. 1**

#### Commencement Information

**I119** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## 272 Trustees etc. liable as scheme administrator

- (1) This section applies in relation to a registered pension scheme if—
- there is no scheme administrator of the pension scheme and no-one who remains subject to the liabilities of the scheme administrator by virtue of section 271(4) (continuation of liability where no scheme administrator),
  - the person who is, or all the persons who are, the scheme administrator of the pension scheme or remain so subject cannot be traced, or

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- (c) the person who is, or all the persons who are, the scheme administrator of the pension scheme or remain so subject are in serious default.
- (2) Any person who assumes liability by reason of this section applying in relation to the pension scheme—
- (a) is liable to pay any tax (and any interest on tax) due from the scheme administrator of the pension scheme by virtue of this Part, and
  - (b) is responsible for the discharge of all other obligations imposed on the scheme administrator of the pension scheme by or under this Part.
- (3) In subsection (2)—
- (a) the references in paragraph (a) to tax, and interest on tax, include any that has become due before this section applied in relation to the pension scheme and remains unpaid, and
  - (b) the reference in paragraph (b) to obligations includes any that have become due before this section applied in relation to the pension scheme and remain unsatisfied, other than any liability to pay a penalty which has become due before this section so applied.
- (4) The following heads specify the persons who assume liability by reason of this section applying in relation to the pension scheme [<sup>F754</sup>or by reason of section 272C(7) applying in relation to a liability]; but if—
- (a) a person assumes, or persons assume, liability by virtue of being specified under one head, and
  - (b) that person, or any of those persons, can be traced and is not in default,
- no-one assumes liability by virtue of being specified under a later head.

*Head 1*

If there are one or more trustees of the pension scheme who are resident in the United Kingdom, that trustee or each of those trustees.

*Head 2*

If there are one or more persons who control the management of the pension scheme, that person or each of those persons.

*Head 3*

If alive or still in existence, the person, or any of the persons, who established the pension scheme and any person by whom that person, or any of those persons, has been directly or indirectly succeeded in relation to the provision of benefits under the pension scheme.

*Head 4*

If the pension scheme is an occupational pension scheme, any sponsoring employer.

*Head 5*

If there are one or more trustees of the pension scheme who are not resident in the United Kingdom, that trustee or each of those trustees.

- (5) Where a person assumes liability by reason of this section applying in relation to the pension scheme, the Inland Revenue must, as soon as is reasonably practicable, notify the person of that fact; but failure to do so does not affect the person's liability.

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- (6) For the purposes of this section a person is in default if the person—
- (a) has failed to pay all or any of the tax (or interest on tax) due from the person by virtue of this Part, or
  - (b) has failed to discharge any other obligation imposed on the person by or under this Part,
- and a person in default is in serious default if the Inland Revenue considers the failure to be of a serious nature.

#### Textual Amendments

**F754** Words in s. 272(4) inserted (17.7.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 para. 18](#)

#### Modifications etc. (not altering text)

- C156** S. 272 applied (with modifications) (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), [3\(5\)](#)
- C157** S. 272 modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), [Sch. 3 Pt. 1](#)
- C158** S. 272(4) modified (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, [27\(2\)](#)

#### Commencement Information

**I120** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

### <sup>F755</sup>272A Liabilities of independent trustee

- (1) This section applies in relation to a person (“P”) who is an independent trustee of a registered pension scheme.
- (2) For the purposes of this section and section 272B an “independent trustee” is a trustee of a pension scheme—
- (a) who is appointed by, or otherwise pursuant to, an order made—
    - (i) by the Pensions Regulator under section 7 of the Pensions Act 1995 or Article 7 of the Pensions (Northern Ireland) Order 1995 (appointment of trustees by the Pensions Regulator), or
    - (ii) by a court on an application made by the Pensions Regulator, and
  - (b) who is not a trustee of the pension scheme at any time before—
    - (i) the day on which the trustee's appointment as mentioned in paragraph (a) takes effect, or
    - (ii) if the trustee is appointed as mentioned in paragraph (a) on more than one occasion, the day on which the first appointment takes effect.
- (3) In this section “the relevant day” means—
- (a) the day on which P's appointment as trustee of the pension scheme as mentioned in subsection (2)(a) takes effect, or
  - (b) if P is appointed as trustee of the pension scheme as mentioned in subsection (2)(a) on more than one occasion, the day on which P's first appointment takes effect.

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- (4) If P is, or is one of the persons who are, the scheme administrator, P does not assume any liability falling within subsection (7) which P would otherwise assume (including by reason of section 272C(3) or (4)).
- (5) Subsection (4) does not apply if P is, or is one of the persons who are, the scheme administrator at any time before the relevant day.
- (6) In relation to any liability falling within subsection (7), in section 272(4) references to trustees or to persons who control the management of the pension scheme do not include P.
- (7) The liabilities falling within this subsection are—
- (a) liabilities for the following in respect of payments made (or treated as having been made) by the pension scheme on or before the relevant day—
    - (i) the short service refund lump sum charge;
    - <sup>F756</sup>(ii) . . . . .
    - (iii) the special lump sum death benefits charge;
    - (iv) the authorised surplus payments charge;
    - (v) the scheme sanction charge in respect of scheme chargeable payments falling within section 241(1)(a) or (b);
  - (b) liabilities for the lifetime allowance charge in respect of benefit crystallisation events occurring on or before the relevant day;
  - (c) liabilities for the scheme sanction charge in respect of scheme chargeable payments treated under section 185A or 185F as having been made by the pension scheme in tax years earlier than the one in which the relevant day falls;
  - (d) any liability for the scheme sanction charge in respect of the relevant fraction of any scheme chargeable payment treated under section 185A as having been made by the pension scheme in the tax year in which the relevant day falls;
  - (e) where the pension scheme is treated under section 185F as having made a scheme chargeable payment in the tax year in which the relevant day falls and there is a relevant net gain, any liability for the scheme sanction charge in respect of the relevant amount;
  - (f) any liability to pay interest in respect of a liability mentioned in paragraphs (a) to (e) arising at any time.

- (8) For the purposes of subsection (7)(d) “the relevant fraction” is—

A B

where—

A is the number of days in the tax year up to (and including) the relevant day, and

B is the number of days in the tax year.

- (9) For the purposes of subsection (7)(e)—
- (a) there is a “relevant net gain” if—
    - (i) the total amount of any gains treated under section 185F as accruing in the tax year on or before the relevant day, exceeds
    - (ii) the total amount of any losses treated under section 185F as so accruing, and
  - (b) “the relevant amount” is—
    - (i) the scheme chargeable payment, or

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- (ii) if that payment is greater than the excess of gains over losses mentioned in paragraph (a), the amount of that excess.
- (10) Subsection (11) applies if—
- (a) apart from that subsection, losses in relation to which section 185G(10) applies would be included in the total amount mentioned in subsection (9)(a)(ii), and
  - (b) the losses exceed the gains—
    - (i) which are included in the total amount mentioned in subsection (9)(a)(i), and
    - (ii) from which the losses can be deducted in accordance with section 185G(10).
- (11) The losses are not to be included in the total amount mentioned in subsection (9)(a)(ii) so far as they exceed the gains.

#### Textual Amendments

**F755** Ss. 272A-272C inserted (with effect in accordance with Sch. 7 para. 22 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 para. 19](#)

**F756** S. 272A(7)(a)(ii) omitted (with effect in accordance with Sch. 5 para. 4 of the amending Act) by virtue of [Finance Act 2016 \(c. 24\)](#), [Sch. 5 para. 3\(1\)\(b\)](#)

## 272B Liabilities of scheme administrator appointed by independent trustee etc

- (1) This section applies in relation to a person (“Q”) who is, or is one of the persons who are, the scheme administrator of a registered pension scheme where Q's appointment as such takes effect at a time when the pension scheme has one or more independent trustees.
- (2) Q does not assume any liability falling within section 272A(7) which Q would otherwise assume.
- (3) In relation to any liability falling within section 272A(7), in section 272(4) references to persons who control the management of the pension scheme do not include Q.
- (4) Subsections (2) and (3) do not apply if Q is, or is one of the persons who are, the scheme administrator at any time before the relevant day.
- (5) In this section, and in section 272A as it applies for the purposes of this section, “the relevant day” means the first day on which the pension scheme has an independent trustee (whether or not there are days between that day and the day on which Q's appointment takes effect on which the pension scheme has no independent trustees).

#### Textual Amendments

**F755** Ss. 272A-272C inserted (with effect in accordance with Sch. 7 para. 22 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 para. 19](#)

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## **272C Former scheme administrator etc to retain liability**

- (1) This section applies in relation to a liability which, by reason of section 272A(4), is not assumed by P (in which case “the relevant day” is to be read in accordance with section 272A(3)).
- (2) This section also applies in relation to a liability which, by reason of section 272B(2), is not assumed by Q (in which case “the relevant day” is to be read in accordance with section 272B(5)).
- (3) The liability is to be retained or assumed by the person who is, or the persons who are, the scheme administrator immediately before the relevant day (unless dead or having ceased to exist).
- (4) If there is no scheme administrator immediately before the relevant day, the liability is to be retained or assumed by the person who was, or the persons who were, the scheme administrator when there last was a scheme administrator before the relevant day (unless dead or having ceased to exist).
- (5) Nothing in section 271 prevents a person from having (and continuing to have) the liability by reason of subsection (3) or (4).
- (6) Subsection (7) applies if—
  - (a) no-one has the liability by reason of subsection (3) or (4),
  - (b) no-one who has the liability by reason of subsection (3) or (4) can be traced, or
  - (c) the person who has, or all the persons who have, the liability by reason of subsection (3) or (4) are in serious default (as determined in accordance with section 272(6)).
- (7) The liability is to be assumed by the person or persons determined in accordance with section 272(4).
- (8) Section 272(5) applies in relation to a person who assumes the liability by reason of subsection (7) as it applies in relation to a person who assumes a liability by reason of section 272.
- (9) Nothing in this section prevents any person from being subject to the liability apart from this section (in addition to any person who is subject to the liability by reason of this section), and in particular the liability continues to be a liability of the scheme administrator for the purposes of section 271(2).
- (10) If a person assumes the liability under section 271(2) at a time after P or Q's appointment as, or as one of the persons who are, the scheme administrator has ceased, the person who has, or the persons who have, the liability by reason of subsection (3) or (4) is, or are, released from the liability.
- (11) A person who has, or persons who have, the liability by reason of subsection (3) or (4) may apply to an officer of Revenue and Customs to be released from the liability.
- (12) Section 271(6) to (13) applies in relation to an application under subsection (11) as it applies in relation to an application under section 271(5).]

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### Textual Amendments

**F755** Ss. 272A-272C inserted (with effect in accordance with Sch. 7 para. 22 of the amending Act) by Finance Act 2014 (c. 26), **Sch. 7 para. 19**

## 273 Members liable as scheme administrator

- (1) This section applies in relation to a registered pension scheme if—
- a person has, or persons have, assumed liability by reason of section 272 (trustees etc.) applying in relation to the pension scheme,
  - the person has, or the persons have, become liable to pay tax (or interest on tax) which became due by virtue of section 239 (scheme sanction charge) or section 242 (de-registration charge) before section 272 applied in relation to the pension scheme,
  - that person, or each of those persons, has failed (in whole or in part) to satisfy the liability, and
  - that person, or each of those persons, has either died or ceased to exist or is a person in whose case the Inland Revenue considers the person's failure to satisfy the liability to be of a serious nature.

[<sup>F757</sup>(1A) This section also applies in relation to a registered pension scheme if—

- a person has, or persons have, by reason of section 272C(7) assumed a liability to pay tax (or interest on tax) by virtue of section 239 (scheme sanction charge) in respect of the whole or a part of a scheme chargeable payment falling within section 241(1)(b) or (c) made (or treated as having been made) by the pension scheme,
  - that person, or each of those persons, has failed (in whole or in part) to satisfy the liability, and
  - that person, or each of those persons, has either died or ceased to exist or is a person in whose case an officer of Revenue and Customs considers the person's failure to satisfy the liability to be of a serious nature.]
- (2) Any person who was a member of the pension scheme at any time during the relevant three-year period is liable to pay the appropriate share of the unpaid amount if—
- any of the conditions in subsection (5) is met, and
  - the Inland Revenue notifies the person of the person's liability to do so.
- (3) “The relevant three-year period” is the period of three years ending with the date on which the liability to pay the tax arose.
- (4) The “appropriate share of the unpaid amount”, in the case of a person, is—

$$\frac{AAP}{AA} \times UT$$

where—

AA is an amount equal to aggregate of the amount of the sums and the market value of the assets held for the purposes of the pension scheme at the time when the liability to pay the tax arose,

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AAP is an amount equal to so much of AA as is held for the purposes of such of the arrangements under the pension scheme as relate to the person or a person connected with the person, and

UT is so much of the tax (and any interest on it) as remains unpaid.

- (5) The conditions referred to in subsection (2)(a) are—
- (a) that the pension scheme <sup>F758</sup>... was not an occupational pension scheme,
  - (b) that at any time during the relevant three-year period the pension scheme received a transfer value in which there were represented relevant personal pension contributions made by or in respect of the person,
  - (c) that the pension scheme was an occupational pension scheme and at any time during the relevant three-year period the person was a controlling director of a company that was a sponsoring employer, and
  - (d) that at any time during the relevant three-year period the pension scheme received a transfer value in which there were represented relevant controlling director contributions made by or in respect of the person.
- (6) A notification under subsection (2)(b) may be included in an assessment in respect of a liability under this section; and such an assessment made in relation to an amount is not out of time if made within the period of three years beginning with the date on which the person assessed first became liable to pay the amount.
- (7) “Relevant personal pension contributions” means contributions under a pension scheme (whether or not the pension scheme from which the transfer value was received) which <sup>F759</sup>... was not an occupational pension scheme.
- (8) “Relevant controlling director contributions” means contributions under an occupational pension scheme (whether or not the pension scheme from which the transfer value was received) made by reference to service (or remuneration in respect of service) as a controlling director of a company that was a sponsoring employer.
- (9) A person is a “controlling director” of a company if the person is a director of the company and is within [<sup>F760</sup>section 452(2)(b) of the Corporation Tax Act 2010] (director able to control 20% of ordinary share capital) in relation to the company.
- (10) References to receipt of a transfer value by the pension scheme are to the transfer, so as to become held for the purposes of or to represent rights under the pension scheme, of any sums or assets held for the purposes of or representing accrued rights under any other pension scheme.
- [<sup>F761</sup>(11) 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

**F757** S. 273(1A) inserted (17.7.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 para. 20](#)

**F758** Words in s. 273(5)(a) repealed (retrospective to 6.4.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 20 paras. 4\(a\)24\(1\)](#), [Sch. 27 Pt. 3\(2\)](#)

**F759** Words in s. 273(7) repealed (retrospective to 6.4.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 20 paras. 4\(b\)24\(1\)](#), [Sch. 27 Pt. 3\(2\)](#)

**F760** Words in s. 273(9) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), [Sch. 1 para. 428](#) (with [Sch. 2](#))



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**F761** S. 273(11) 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. 478](#) (with [Sch. 2](#))

**Modifications etc. (not altering text)**

**C159** S. 273 modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\), regs. 1\(1\), 3\(1\)\(2\), Sch. 3 Pt. 1](#)

**C160** S. 273 excluded (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\), regs. 1, 28](#)

**C161** S. 273 applied (with modifications) (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\), regs. 1\(1\), 3\(6\)](#)

**Commencement Information**

**I121** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

[<sup>F762</sup>**273ZA** **Income and gains from taxable property**

- (1) The Treasury may make regulations in relation to cases where—
  - (a) an investment-regulated pension scheme holds an interest in taxable property,
  - (b) the pension scheme is non-UK resident, and
  - (c) the property is not located in the United Kingdom.
- (2) The regulations may make provision for a member of the pension scheme for the purposes of whose arrangement the interest is held to be liable to the scheme sanction charge so far as relating to a scheme chargeable payment treated as made by the pension scheme—
  - (a) under section 185A (income from taxable property) by virtue of the pension scheme holding the interest in the property, or
  - (b) under section 185F (gains from taxable property) by virtue of a gain treated as accruing to the pension scheme in respect of the interest in the property.
- (3) The regulations may make provision—
  - (a) for the member to be liable to all of the scheme sanction charge arising by virtue of the scheme chargeable payment or to the charge to such extent as the regulations may provide,
  - (b) for the charge to be apportioned between members of the pension scheme where the interest in the property is held for the purposes of more than one arrangement under the pension scheme, and
  - (c) for the scheme administrator not to be liable to the scheme sanction charge or not to be liable to the charge to such extent as the regulations may provide.
- (4) The regulations may make provision for cases where—
  - (a) a member of a pension scheme would otherwise be liable to the scheme sanction charge arising by virtue of a scheme chargeable payment treated as made by the pension scheme under section 185F in a tax year,
  - (b) the member does not meet such conditions as to residence in the tax year as the regulations may prescribe,
  - (c) the member meets those conditions in a subsequent tax year, and
  - (d) such other conditions as the regulations may prescribe are met.
- (5) The regulations may make provision for the member—

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- (a) not to be liable to the scheme sanction charge in the tax year in which the scheme chargeable payment is treated as made, but
  - (b) to be liable in a subsequent tax year to such extent as the regulations may provide to the scheme sanction charge arising by virtue of the payment.
- (6) The regulations may—
- (a) amend this Part (apart from this section),
  - (b) include provision having effect in relation to times before they are made,
  - (c) contain transitional provisions and savings, and
  - (d) make different provision for different cases.
- (7) For the purposes of this section a pension scheme is non-UK resident if it is established in a country or territory outside the United Kingdom.]

#### Textual Amendments

**F762** S. 273ZA inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 158(2), [Sch. 21 para. 10](#)

#### [<sup>F763</sup>273A] Insurance company liable as scheme administrator

- (1) The Board of Inland Revenue may make regulations in relation to cases where an insurance company makes a payment of—
- (a) a pension protection lump sum death benefit,
  - (b) an annuity protection lump sum death benefit, <sup>F764</sup>...
  - [<sup>F765</sup>(c) a drawdown pension fund lump sum death benefit,][<sup>F766</sup>or
  - (d) a flexi-access drawdown fund lump sum death benefit,]
- which (by virtue of section 161(3) and (4)) is treated for the purposes of Chapter 3 as made by a registered pension scheme.
- (2) The regulations may provide that the insurance company—
- (a) is to be treated as the scheme administrator for the purposes of the operation of section 206 in relation to the lump sum death benefit, and
  - (b) is responsible for the discharge of all obligations imposed on the scheme administrator by or under this Part so far as related to the liability imposed by that section to pay tax in respect of it.
- (3) Where an insurance company is liable to pay any tax or interest, or is responsible for the discharge of any other obligation, by virtue of regulations under this section, no other person is liable to pay that tax, or responsible for the discharge of that obligation, under sections 270 to 273.]

#### Textual Amendments

**F763** S. 273A inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 49\(1\)](#), 64(1)

**F764** Word in s. 273A(1)(b) omitted (17.12.2014) by virtue of [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 17\(a\)](#)

**F765** S. 273A(1)(c) substituted (with effect in accordance with Sch. 16 paras. 85, 103 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 76](#)

**F766** S. 273A(1)(d) and preceding word inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 17\(b\)](#)

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## **[<sup>F767</sup>273B] Power of trustees or managers to make certain payments**

- (1) Subsection (2) applies to a payment by a registered pension scheme to or in respect of a person who is or has been a member of the scheme if it is paid in respect of a money purchase arrangement and is—
- (a) a payment of drawdown pension,
  - (b) paid to purchase a short-term annuity,
  - (c) a payment of dependants' drawdown pension,
  - (d) paid to purchase a dependants' short-term annuity,
  - (e) a payment of nominees' drawdown pension,
  - (f) paid to purchase a nominees' short-term annuity,
  - <sup>F768</sup> (fa) paid to purchase a nominees' annuity,
  - (fb) paid to purchase a successors' annuity,
  - (g) a payment of successors' drawdown pension,
  - (h) paid to purchase a successors' short-term annuity,
  - (i) an uncrystallised funds pension lump sum,
  - (j) a flexi-access drawdown fund lump sum death benefit,
  - (k) a pension commencement lump sum where the person becomes entitled to it in connection with becoming entitled to income withdrawal (or where the person dies after becoming entitled to it but before becoming entitled to the income withdrawal in connection with which it was expected that the person would become entitled to the lump sum), or
  - (l) a trivial commutation lump sum death benefit where condition B in paragraph 20(1B) of Schedule 29 is met.
- (2) The trustees or managers of the scheme may make the payment despite any provision of the rules of the scheme (however framed) prohibiting the making of the payment.]

### **Textual Amendments**

**F767** S. 273B inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\), Sch. 1 para. 79](#)

**F768** S. 273B(1)(fa)(fb) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\), Sch. 4 para. 11](#)

## **274 Supplementary**

- (1) The fact that any person is liable to pay any tax or interest, or is responsible for the discharge of any other obligation, under section 272 (trustees etc.)<sup>F769</sup>, section 272C(7)] or section 273 (members) does not relieve any other person of any liability to pay the tax or interest, or any obligation to discharge the obligation, arising—
- (a) by reason of that other person being, or being one of the persons who is, the scheme administrator of the pension scheme, or
  - (b) under section 271(4) (continuation of liability where no scheme administrator)<sup>F770</sup>, section 272C(3) or (4)].
- (2) Where a liability imposed on the scheme administrator of a registered pension scheme falls to be satisfied by two or more persons (whether or not they constitute the scheme administrator), they are jointly and severally liable.

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- (3) No liability to pay tax or interest, or other obligation, of any person in relation to a registered pension scheme arising—
- (a) by reason of the person being, or being one of the persons who is, the scheme administrator of the pension scheme concerned, or
  - (b) under section 271(4), 272<sup>[F771]</sup>, 272C] or 273 <sup>[F772]</sup>or regulations under section 273A],
- is affected by the termination of the pension scheme or by its ceasing to be a registered pension scheme.

#### Textual Amendments

- F769** Word in s. 274(1) inserted (17.7.2014) by [Finance Act 2014 \(c. 26\)](#), **Sch. 7 para. 21(2)(a)**  
**F770** Words in s. 274(1)(b) inserted (17.7.2014) by [Finance Act 2014 \(c. 26\)](#), **Sch. 7 para. 21(2)(b)**  
**F771** Word in s. 274(3)(b) inserted (17.7.2014) by [Finance Act 2014 \(c. 26\)](#), **Sch. 7 para. 21(3)**  
**F772** Words in s. 274(3)(b) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), **Sch. 10 paras. 49(2), 64(1)**

#### Modifications etc. (not altering text)

- C162** S. 274 modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), **Sch. 3 Pt. 1**  
**C163** S. 274(2) applied (with modifications) (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), **3(7)**

#### Commencement Information

- I122** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

## CHAPTER 8

### SUPPLEMENTARY

#### *<sup>[F773]</sup>National Employment Savings Trust and Master Trust schemes*

#### Textual Amendments

- F773** [S. 274B](#) and cross-heading inserted (15.3.2018) by virtue of [Finance Act 2018 \(c. 3\)](#), **Sch. 3 paras. 1(5), 2(3)** (with [Sch. 3 para. 4](#))

### 274B National Employment Savings Trust and Master Trust schemes

- (1) This Part applies in relation to a pension scheme that—
  - (a) is established under section 67 of the Pensions Act 2008, and
  - (b) is not an occupational pension scheme,
 as it applies in relation to an occupational pension scheme.
- (2) This Part applies in relation to a pension scheme that—
  - (a) is a Master Trust scheme, and
  - (b) is not an occupational pension scheme,

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as it applies in relation to an occupational pension scheme.]

### Interpretation

#### [<sup>F774</sup>274A Power to split schemes

- (1) The Board of Inland Revenue may make regulations for and in connection with treating registered pension schemes to which this section applies as if they were a number of separate registered pension schemes for such of the purposes of this Part and of provision made under it as are prescribed by the regulations.
- (2) This section applies to pension schemes prescribed, or of a description prescribed, by the regulations.
- (3) The provision that may be made by the regulations may, in particular, include—
  - (a) provision as to who is to be treated as the scheme administrator in relation to each of the separate pension schemes, and
  - (b) any such other modifications of the provision made by and under this Part as appears appropriate in consequence of, or otherwise in connection with, provision made under subsection (1) (including provision so made by virtue of paragraph (a) of this subsection).
- (4) The regulations may make different provision for different cases.]

#### Textual Amendments

**F774** S. 274A inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 50](#), 64(1)

#### 275 Insurance company

- (1) In this Part “insurance company” means—
  - (a) a person who has permission under Part 4 of FISMA 2000 to effect or carry out contracts of long-term insurance, <sup>F775</sup> ...
  - <sup>F776</sup>(b) .....
- (2) “Contracts of long-term insurance” means contracts which fall within Part 2 of Schedule 1 to the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (S.I. 2001/544).

#### Textual Amendments

**F775** Word in s. 275(1)(a) omitted (31.12.2020) by virtue of [The Taxes \(Amendments\) \(EU Exit\) Regulations 2019 \(S.I. 2019/689\)](#), [regs. 1](#), [12\(3\)\(a\)](#) (with [regs. 39-41](#)); 2020 c. 1, [Sch. 5 para. 1\(1\)](#)

**F776** S. 275(1)(b) omitted (31.12.2020) by virtue of [The Taxes \(Amendments\) \(EU Exit\) Regulations 2019 \(S.I. 2019/689\)](#), [regs. 1](#), [12\(3\)\(b\)](#) (with [regs. 39-41](#)); 2020 c. 1, [Sch. 5 para. 1\(1\)](#)

#### Modifications etc. (not altering text)

**C164** S. 275 modified (6.4.2006) by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\) Regulations 2006 \(S.I. 2006/207\)](#), [regs. 1\(1\)](#), [11](#)

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## 276 Relevant valuation factor

- (1) For the purposes of this Part the relevant valuation factor in relation to any registered pension scheme, or any arrangement under a registered pension scheme, is 20.
- (2) But the Inland Revenue and the scheme administrator of any registered pension scheme may agree that the relevant valuation factor in relation to the pension scheme, or any arrangement under the pension scheme, is to be a number greater than 20.

### Modifications etc. (not altering text)

**C165** S. 276 modified (6.4.2006) by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\) Regulations 2006 \(S.I. 2006/207\)](#), regs. 1(1), **12**

## 277 Valuation assumptions

For the purposes of this Part the valuation assumptions in relation to a person, benefits and a date are—

- (a) if the person has not reached such age (if any) as must have been reached to avoid any reduction in the benefits on account of age, that the person reached that age on the date, and
- (b) that the person's right to receive the benefits had not been occasioned by physical or mental impairment.

## 278 Market value

- (1) For the purposes of this Part the market value of an asset held for the purposes of a pension scheme is to be determined in accordance with section 272 of TCGA 1992.
  - (2) Where an asset held for the purposes of a pension scheme is a right or interest in respect of any money lent (directly or indirectly) to any relevant associated person, the value of the asset is to be treated as being the amount owing (including any unpaid interest) on the money lent.
  - (3) The following are “relevant associated persons”—
    - (a) any employer who has at any time (whether or not before the making of the loan) made contributions under the pension scheme,
    - (b) any company connected (at the time of the making of the loan or subsequently) with any such employer,
    - (c) any person who has at any time (whether or not before the making of the loan) been a member of the pension scheme, and
    - (d) any person connected (at the time of the making of the loan or subsequently) with any such person.
- [<sup>F777</sup>(3A) For the purposes of this Part the market value of taxable property, or of an interest in taxable property, is to be determined in accordance with section 272 of TCGA 1992.
- (3B) Subsection (3A) is subject to any provision made by regulations under paragraph 36(2) of Schedule 29A.]
- [<sup>F778</sup>(4) For the purposes of this section whether a person is connected with another person is determined in accordance with section 993 of ITA 2007.]

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### Textual Amendments

**F777** S. 278(3A)(3B) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 158(2), [Sch. 21 para. 11](#)

**F778** S. 278(4) 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. 479](#) (with [Sch. 2](#))

## 279 Other definitions

(1) In this Part—

[<sup>F779</sup>“abatement”, in relation to a scheme pension [<sup>F780</sup>to which a person has become entitled] under a public service pension scheme, means the reduction of the pension (including its reduction to nil) in accordance with the rules of the pension scheme by reason of [<sup>F781</sup>the person's employment] in public service,]

“the Board of Inland Revenue” means the Commissioners of Inland Revenue,

[<sup>F782</sup>“consumer prices index” means—

- (a) the general index for consumer prices published by the Statistics Board, or
- (b) if that index is not published for a relevant month, any substituted index or index figures published by the Statistics Board,]

<sup>F783</sup>  
...

“employee” and “employer” have the same meaning as in the employment income Parts of ITEPA 2003 (see sections 4 and 5 of that Act) but include (respectively) a former employee and a former employer (and “employment” is to be read accordingly),

“the Inland Revenue” means any officer of the Board of Inland Revenue,

“normal minimum pension age” means—

- (a) before 6th April 2010, 50, and
- (b) on and after that date, 55,

“pension credit” and “pension debit” have the same meaning as in Chapter 1 of Part 4 of WRPA (see section 46(1) of that Act) or Chapter 1 of Part 5 of WRP(NI)O 1999 (see Article 43(1) of that Order), [<sup>F784</sup>and]

“pension sharing order or provision” means any order or provision mentioned in section 28(1) of WRPA 1999 or Article 25(1) of WRP(NI)O 1999,

[<sup>F782</sup>“pensionable age” has the meaning given by the rules in paragraph 1 of Schedule 4 to the Pensions Act 1995 or paragraph 1 of Schedule 2 to the Pensions (Northern Ireland) Order 1995,]

[<sup>F785</sup>“Scottish basic rate limit” means a rate limit set by the Scottish Parliament under section 80C(2A) of the Scotland Act 1998 for the purposes of determining the extent to which a Scottish taxpayer's income is charged at the Scottish basic rate where a Scottish rate resolution under that Act has set more than one rate for the tax year.]

<sup>F786</sup>  
...

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- [<sup>F787</sup>(1A) In this Part, so far as it forms part of the Corporation Tax Acts, expressions which are defined for the purposes of the Income Tax Acts are to be given the same meaning as they have in the Income Tax Acts.]
- [<sup>F788</sup>(1B) In this Part “Master Trust scheme” means a pension scheme—
- (a) that is a Master Trust scheme within the meaning of the Pension Schemes Act 2017 (see sections 1 and 2 of that Act) or corresponding provision in force in Northern Ireland, and
  - (b) whose operation would be unlawful under Part 1 of that Act (Master Trusts), or corresponding provision in force in Northern Ireland, were the scheme not authorised under that Part or that corresponding provision.
- (1C) For the purposes of determining whether the condition in subsection (1B)(b) is met, the following are to be ignored—
- (a) any regulations under section 40 of the Pension Schemes Act 2017 (regulations modifying application of Part 1 of that Act);
  - (b) any provision in force in Northern Ireland corresponding to regulations that could be made under that section.
- (1D) For the purposes of this Part a Master Trust scheme is “unauthorised” if—
- (a) it is not authorised under Part 1 of the Pension Schemes Act 2017 or corresponding provision in force in Northern Ireland, and
  - (b) its operation would be unlawful under that Part or that corresponding provision without such authorisation.
- (1E) Section 1169 of the Companies Act 2006 (dormant companies) applies for the purposes of this Part.]
- (2) In this Part references to payments made, or benefits provided, by a pension scheme are to payments made or benefits provided from sums or assets held for the purposes of the pension scheme.
- (3) For the purposes of this Part the sums and assets held for the purposes of an arrangement under a pension scheme are so much of the sums and assets held for the purposes of the pension scheme under which the arrangement is made as are properly attributable, in accordance with the provisions of the pension scheme and any just and reasonable apportionment, to the arrangement.

#### Textual Amendments

- F779** Words in s. 279(1) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 9](#), 64(1)
- F780** Words in s. 279(1) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 33\(a\)](#)
- F781** Words in s. 279(1) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 33\(b\)](#)
- F782** Words in s. 279(1) inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 21](#)
- F783** Words in s. 279(1) repealed (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. 480\(2\)\(a\)](#), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))
- F784** Word in s. 279(1) inserted (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. 480\(2\)\(b\)](#) (with [Sch. 2](#))



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- F785** Words in s. 279(1) inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), regs. 1(1), **6**
- F786** Words in s. 279(1) repealed (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. 480\(2\)\(c\)](#), **Sch. 3 Pt. 1** (with [Sch. 2](#))
- F787** S. 279(1A) inserted (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. 480(3)** (with [Sch. 2](#))
- F788** S. 279(1B)-(1E) inserted (15.3.2018 for specified purposes, 6.4.2018 in so far as not already in force) by [Finance Act 2018 \(c. 3\)](#), **Sch. 3 paras. 1(6), 2(1)(c)(2)(c)(3)** (with [Sch. 3 para. 3](#))

**Modifications etc. (not altering text)**

- C166** S. 279 modified (6.4.2006) by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\) Regulations 2006 \(S.I. 2006/207\)](#), regs. 1(1), **13**

## 280 Abbreviations and general index

(1) In this Part—

- “NIA 1965” means the National Insurance Act 1965 (c. 51),
- “NIA(NI) 1966” means the National Insurance Act (Northern Ireland) 1966 (c. 6 (N.I.)),
- “TMA 1970” means the Taxes Management Act 1970 (c. 9),
- “ICTA 1970” means the Income and Corporation Taxes Act 1970 (c. 10),
- “ICTA” means the Income and Corporation Taxes Act 1988 (c. 1),
- “SSCBA 1992” means the Social Security Contributions and Benefits Act 1992 (c. 4),
- “SSCB(NI)A 1992” means the Social Security Contributions and Benefits (Northern Ireland) Act 1992 (c. 7),
- “TCGA 1992” means the Taxation of Chargeable Gains Act 1992 (c. 12),
- “WRPA 1999” means the Welfare Reform and Pensions Act 1999 (c. 30),
- “WRP(NI)O 1999” means the Welfare Reform and Pensions (Northern Ireland) Order 1999 (S.I. 1999/ 3147 (N.I. 11)),
- <sup>F789</sup>“FISMA 2000” means the Financial Services and Markets Act 2000 (c. 8), ...
- <sup>F790</sup>“ITEPA 2003” means the Income Tax (Earnings and Pensions) Act 2003 (c. 1), ...
- <sup>F791</sup>[<sup>F792</sup>“ITTOIA 2005” means the Income Tax (Trading and Other Income Act) 2005] ...
- [<sup>F793</sup>“ITA 2007” means the Income Tax Act 2007],
- <sup>F794</sup>[<sup>F795</sup>“FA 2008” means the Finance Act 2008, ] ...
- [<sup>F796</sup>“CTA 2009” means the Corporation Tax Act 2009][<sup>F797</sup>and
- “CTA 2010” means the Corporation Tax Act 2010]
- [<sup>F798</sup>“FA 2012” means the Finance Act 2012]

(2) In this Part the following expressions are defined or otherwise explained by the provisions indicated—

[ <sup>F799</sup> abatement	section 279(1)]
accounting period	section 834(1) of ICTA

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[ <sup>F800</sup> acquiring an interest in property (for the purposes of the taxable property provisions)	paragraphs 12 and 27 to 29 of Schedule 29A]
active member (of a pension scheme)	section 151(2)
active membership period (in sections 221 to 223)	section 221(4) and (5)
[ <sup>F801</sup> additional rate	section 6(2) of ITA 2007 (as applied by section 989 of that Act)]
amount crystallised	section 216
annual allowance	section 228
annual allowance charge	section 227(1)
annuity protection lump sum death benefit	paragraph 16 of Schedule 29
arrangement	section 152(1)
authorised surplus payment	section 177
available (in relation to a person's lifetime allowance)	section 219
basic rate	[ <sup>F802</sup> section 6(2) of ITA 2007 (as applied by section 989 of that Act)]
basic rate limit	[ <sup>F803</sup> section [ <sup>F804</sup> 10] of ITA 2007 (as applied by section 989 of that Act)]
benefits (provided by pension scheme)	section 279(2)
benefit crystallisation event	section 216
the Board of Inland Revenue	section 279(1)
borrowing (in Chapter 3)	section 163
[ <sup>F800</sup> building (for the purposes of the taxable property provisions)	paragraph 7(2) of Schedule 29A]
cash balance arrangement	section 152(3)
cash balance benefits	section 152(5)
chargeable gain	[ <sup>F805</sup> section 989 of ITA 2007]
charity	[ <sup>F806</sup> section 989 of ITA 2007]
company	[ <sup>F807</sup> section 992 of ITA 2007]
compensation payment	section 178
[ <sup>F808</sup> consumer prices index	section 279(1)]
contribution	sections 188(4) to (6) and 195
defined benefits	section 152(7)
defined benefits arrangement	section 152(6)
defined benefits lump sum death benefit	paragraph 13 of Schedule 29

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F809	F809
...	...
[ <sup>F810</sup> dependant (of a member of a registered pension scheme)]	paragraph 15 of Schedule 28]
[ <sup>F811</sup> dependants' annuity]	paragraph 17 of Schedule 28]
[ <sup>F812</sup> dependant's flexi-access drawdown fund]	paragraph 22A of Schedule 28]
dependants' scheme pension	paragraph 16 of Schedule 28
[ <sup>F811</sup> dependants' short-term annuity]	paragraph 20 of Schedule 28]
F813	F813
...	...
[ <sup>F814</sup> dependant's drawdown pension fund]	paragraph 22 of Schedule 28]
[ <sup>F815</sup> dormant (in relation to a body corporate)]	section 279(1E)]
[ <sup>F816</sup> drawdown pension fund lump sum death benefit]	paragraph 17 of Schedule 29]
employee and employer (and employment)	section 279(1)
employment income	section 7(2) of ITEPA 2003
enhanced lifetime allowance regulations	section 256(2)
entitled (in relation to a lump sum)	section 166(2)
entitled (in relation to a pension)	section 165(3)
[ <sup>F812</sup> flexi-access drawdown fund lump sum death benefit]	paragraph 17A of Schedule 29]
higher rate	[ <sup>F817</sup> section 6(2) of ITA 2007 (as applied by section 989 of that Act)]
[ <sup>F818</sup> higher rate limit]	section 10 of ITA 2007]
[ <sup>F800</sup> holding an interest in a person (for the purposes of the taxable property provisions)]	paragraph 16(2) to (4) of Schedule 29A]
[ <sup>F800</sup> holding an interest in property (for the purposes of the taxable property provisions)]	paragraph 13 of Schedule 29A]
[ <sup>F800</sup> holding directly an interest in a vehicle (for the purposes of the taxable property provisions)]	paragraph 20(3) of Schedule 29A]
[ <sup>F800</sup> holding directly an interest in property (for the purposes of the taxable property provisions)]	paragraphs 14 and 15 of Schedule 29A]

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[ <sup>F800</sup> holding indirectly an interest in a vehicle (for the purposes of the taxable property provisions)	paragraph 20(4) of Schedule 29A]
[ <sup>F800</sup> holding indirectly an interest in property (for the purposes of the taxable property provisions)	paragraph 16(1) of Schedule 29A]
hybrid arrangement	section 152(8)
ill-health condition	paragraph 1 of Schedule 28
the individual (in sections 215 to 219)	section 214(5)
the Inland Revenue	section 279(1)
insurance company	section 275
[ <sup>F800</sup> investment-regulated pension scheme (for the purposes of the taxable property provisions)	paragraphs 1 to 3 of Schedule 29A]
investments (in relation to a pension scheme)	section 186(3) and (4)
liability (in Chapter 3)	section 163
lifetime allowance (in relation to a person)	section 218
lifetime allowance charge	section 214(1)
lifetime allowance enhancement factors	section 218(5)
lifetime allowance excess lump sum	paragraph 11 of Schedule 29
lifetime annuity	paragraph 3 of Schedule 28
loan (in Chapter 3)	section 162
lump sum death benefit	section 168(2)
market value	section 278
[ <sup>F815</sup> Master Trust scheme	section 279(1B) and (1C)]
member (of a pension scheme)	section 151(1)
<sup>F809</sup>	<sup>F809</sup>
...	...
[ <sup>F814</sup> member's drawdown pension fund	paragraph 8 of Schedule 28]
[ <sup>F812</sup> member's flexi-access drawdown fund	paragraph 8A of Schedule 28]
member's unsecured pension fund	paragraph 8 of Schedule 28
money purchase arrangement	section 152(2)
money purchase benefits	section 152(4)
[ <sup>F819</sup> net income	section 23 of ITA 2007 (as applied by section 989 of that Act),]
net pay pension scheme	section 191(9)

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[ <sup>F810</sup> nominee (of a member of a registered pension scheme)	paragraph 27A of Schedule 28]
[ <sup>F820</sup> nominees' annuity	paragraph 27AA of Schedule 28]
[ <sup>F810</sup> nominees' drawdown pension	paragraph 27B of Schedule 28]
[ <sup>F810</sup> nominee's flexi-access drawdown fund	paragraph 27E of Schedule 28]
[ <sup>F810</sup> nominees' income withdrawal	paragraph 27D of Schedule 28]
[ <sup>F810</sup> nominees' short-term annuity	paragraph 27C of Schedule 28]
normal minimum pension age	section 279(1)
occupational pension scheme	section 150(5)
overseas arrangement active membership period (in sections 224 to 226)	section 224(7) and (8)
overseas pension scheme	section 150(7)
payment (in Chapter 3)	section 161
payments (made by pension scheme)	section 279(2)
pension	section 165(2)
[ <sup>F808</sup> pensionable age	section 279(1)]
pension commencement lump sum	paragraph 1 of Schedule 29
pension credit and pension debit	section 279(1)
[ <sup>F821</sup> pension death benefit	section 167(2)]
pension input amount	section 229
pension input period	[ <sup>F822</sup> sections 238 to 238ZB]
pension protection lump sum death benefit	paragraph 14 of Schedule 29
pension scheme	section 150(1)
the pension scheme (in sections 215 to 219)	section 214(5)
pension sharing order or provision	section 279(1)
pensioner member (of a pension scheme)	section 151(3)
period of account	[ <sup>F823</sup> section 989 of ITA 2007]
personal representatives	[ <sup>F824</sup> section 989 of ITA 2007]
property investment LLP	[ <sup>F825</sup> section 1004 of ITA 2007]
public service pension scheme	section 150(3)
qualifying recognised overseas pension scheme	section 169(2)
recognised overseas pension scheme	section 150(8)

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recognised overseas scheme arrangement (insections 224 to 226)	section 224(2) and (3)
registered pension scheme	section 150(2)
[ <sup>F826</sup> related dependants' annuity	paragraph 3(4A) of Schedule 29]
[ <sup>F820</sup> related nominees' annuity	paragraph 3(4B) of Schedule 29 ]
[ <sup>F827</sup> related dependants' scheme pension	paragraph 3(7C) of Schedule 29]
relevant overseas individual	section 221(3)
relevant UK earnings	section 189(2)
relevant UK individual	section 189
relevant valuation factor	section 276
relievable pension contributions	section 188(2) and (3)
[ <sup>F800</sup> residential property (for the purposes of the taxable property provisions)	paragraphs 7(1), 8 and 9 of Schedule 29A]
retail prices index	[ <sup>F828</sup> section 989 of ITA 2007]
scheme administrator	section 270 (but see also sections 271 to 274)
scheme chargeable payment	section 241
[ <sup>F800</sup> scheme-held taxable property	section 185B(3)]
scheme manager	section 169(3)
scheme pension	paragraph 2 of Schedule 28
scheme sanction charge	section 239(1)
<b>F829</b>	<b>F829</b>
...	...
<b>F829</b>	<b>F829</b>
...	...
<b>F829</b>	<b>F829</b>
...	...
[ <sup>F830</sup> Scottish taxpayer	section 989 of ITA 2007]
serious ill-health lump sum	paragraph 4 of Schedule 29
<b>F831</b>	<b>F831</b>
...	...
short service refund lump sum	paragraph 5 of Schedule 29
short service refund lump sum charge	section 205(1)
[ <sup>F811</sup> short-term annuity	paragraph 6 of Schedule 28]
special lump sum death benefits charge	section [ <sup>F832</sup> 206]
sponsoring employer	section 150(6)
standard lifetime allowance	section 218(2) [ <sup>F833</sup> to (2C)]

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[ <sup>F810</sup> successor (of a member of a registered pension scheme)	paragraph 27F of Schedule 28]
[ <sup>F820</sup> successors' annuity	paragraph 27FA of Schedule 28]
[ <sup>F810</sup> successors' drawdown pension	paragraph 27G of Schedule 28]
[ <sup>F810</sup> successor's flexi-access drawdown fund	paragraph 27K of Schedule 28]
[ <sup>F810</sup> successors' income withdrawal	paragraph 27J of Schedule 28]
[ <sup>F810</sup> successors' short-term annuity	paragraph 27H of Schedule 28]
sums and assets held for the purposes of an arrangement	section 279(3)
[ <sup>F800</sup> sums and assets held for the purposes of an arrangement (for the purposes of the taxable property provisions)	paragraph 5 of Schedule 29A]
[ <sup>F800</sup> taxable property (for the purposes of the taxable property provisions)	paragraphs 6, 10 and 11 of Schedule 29A]
[ <sup>F800</sup> the taxable property provisions	paragraph 1(3) of Schedule 29A]
tax year	[ <sup>F834</sup> section 4(2) of ITA 2007 (as applied by section 989 of that Act)]
the tax year 2006-07 etc.	[ <sup>F835</sup> section 4(4) of ITA 2007 (as applied by section 989 of that Act)]
total income	[ <sup>F836</sup> section 23 of ITA 2007 (as applied by section 989 of that Act)]
total pension input amount	section 229
<sup>F837</sup>	<sup>F837</sup>
...	...
[ <sup>F838</sup> transitional 2013/14 lump sum	paragraph 11A of Schedule 29]
trivial commutation lump sum	paragraph 7 of Schedule 29
unauthorised employer payment	section 160(4)
[ <sup>F815</sup> unauthorised (in relation to a Master Trust scheme)	section 279(1D)]
unauthorised member payment	section 160(2)
unauthorised payment	section 160(5)
unauthorised payments charge	section 208(1)
unauthorised payments surcharge	section 209(1)
uncrystallised funds lump sum death benefit	paragraph 15 of Schedule 29
[ <sup>F839</sup> uncrystallised funds pension lump sum	paragraph 4A of Schedule 29]
<sup>F840</sup>	<sup>F840</sup>

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...	...
valuation assumptions (in relation to a person)	section 277
[ <sup>F800</sup> vehicle (in the taxable property provisions)	paragraph 20(2) of Schedule 29A]
winding-up lump sum	paragraph 10 of Schedule 29
winding-up lump sum death benefit	paragraph 21 of Schedule 29

### Textual Amendments

- F789** Word in s. 280(1) repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 1 para. 652](#), [Sch. 3](#) (with [Sch. 2](#))
- F790** Word in s. 280(1) repealed (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. 481\(2\)](#), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))
- F791** Word in s. 280(1) repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 1 para. 580\(a\)](#), [Sch. 3 Pt. 1](#) (with [Sch. 2 Pts. 1, 2](#))
- F792** Words in s. 280(1) inserted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 1 para. 652](#) (with [Sch. 2](#))
- F793** Words in s. 280(1) inserted (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. 481\(2\)](#) (with [Sch. 2](#))
- F794** Word in s. 280(1) omitted (17.7.2012) by virtue of [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 122\(a\)](#); same word omitted (with effect in accordance with [Sch. 13 para. 17](#) of the amending Act) by virtue of [Finance Act 2012 \(c. 14\)](#), [Sch. 13 para. 16\(a\)](#) (with [Sch. 13 Pt. 4](#)) (and see also [Finance Act 2012 \(c. 14\)](#), [Sch. 13 para. 2\(a\)](#))
- F795** Words in s. 280(1) inserted (17.7.2013) by [Finance Act 2013 \(c. 29\)](#), [s. 53\(8\)](#)
- F796** Words in s. 280(1) inserted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 1 para. 580\(b\)](#) (with [Sch. 2 Pts. 1, 2](#))
- F797** Words in s. 280(1) inserted (with effect in accordance with [Sch. 13 para. 17](#) of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 13 para. 16\(b\)](#) (with [Sch. 13 Pt. 4](#)) (and see also [Finance Act 2012 \(c. 14\)](#), [Sch. 13 para. 2\(b\)](#))
- F798** Words in s. 280(1) inserted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 122\(b\)](#)
- F799** Words in s. 280(2) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 10](#), 64(1)
- F800** Words in s. 280(2) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 158(2), [Sch. 21 para. 12](#)
- F801** Words in s. 280(2) inserted (with effect in accordance with s. 68(5) of the amending Act) by [Finance Act 2010 \(c. 13\)](#), [s. 68\(2\)](#)
- F802** Words in s. 280(2) 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. 481\(3\)\(a\)](#) (with [Sch. 2](#))
- F803** Words in s. 280(2) 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. 481\(3\)\(b\)](#) (with [Sch. 2](#))
- F804** Word in s. 280(2) substituted (with effect in accordance with s. 68(6) of the amending Act) by [Finance Act 2010 \(c. 13\)](#), [s. 68\(3\)](#)
- F805** Words in s. 280(2) 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. 481\(3\)\(c\)](#) (with [Sch. 2](#))
- F806** Words in s. 280(2) 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. 481\(3\)\(d\)](#) (with [Sch. 2](#))
- F807** Words in s. 280(2) 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. 481\(3\)\(e\)](#) (with [Sch. 2](#))
- F808** Words in s. 280(2) inserted (with effect in accordance with [Sch. 17 Pt. 2](#) of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 22](#)



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- F809** S. 280(2) entries omitted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 77\(2\)](#)
- F810** Words in s. 280(2) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 14](#)
- F811** Words in s. 280(2) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 17](#), 64(1)
- F812** Words in s. 280(2) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 18](#)
- F813** S. 280(2) entries omitted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 77\(3\)](#)
- F814** S. 280(2) entries inserted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 77\(3\)](#)
- F815** Words in s. 280(2) Table inserted (15.3.2018 for specified purposes, 6.4.2018 in so far as not already in force) by [Finance Act 2018 \(c. 3\)](#), [Sch. 3 paras. 1\(7\)](#), 2(1)(d)(2)(d)(3)
- F816** S. 280(2) entry inserted (with effect in accordance with Sch. 16 paras. 85, 103 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 77\(5\)](#)
- F817** Words in s. 280(2) 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. 481\(3\)\(f\)](#) (with [Sch. 2](#))
- F818** Words in s. 280(2) inserted (with effect in accordance with s. 68(5) of the amending Act) by [Finance Act 2010 \(c. 13\)](#), [s. 68\(4\)](#)
- F819** Words in s. 280(2) inserted (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. 481\(3\)\(g\)](#) (with [Sch. 2](#))
- F820** Words in s. 280(2) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 4 para. 12](#)
- F821** Words in s. 280(2) inserted (retrospective to 6.4.2006) by [Finance Act 2007 \(c. 11\)](#), [Sch. 20 paras. 22\(2\)](#), 24(3)
- F822** Words in s. 280(2) Table substituted (18.11.2015) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [Sch. 4 para. 5](#)
- F823** Words in s. 280(2) 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. 481\(3\)\(h\)](#) (with [Sch. 2](#))
- F824** Words in s. 280(2) 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. 481\(3\)\(i\)](#) (with [Sch. 2](#))
- F825** Words in s. 280(2) 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. 481\(3\)\(j\)](#) (with [Sch. 2](#))
- F826** Words in s. 280(2) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 33](#), 64(1)
- F827** Words in s. 280(2) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 26](#)
- F828** Words in s. 280(2) 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. 481\(3\)\(k\)](#) (with [Sch. 2](#))
- F829** Words in s. 280(2) Table omitted (with effect in accordance with reg. 1(2) of the amending S.I.) by virtue of [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), regs. 1(1), 7
- F830** Words in s. 280(2) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Scottish Rate of Income Tax \(Consequential Amendments\) Order 2015 \(S.I. 2015/1810\)](#), arts. 1(1), 7(4)
- F831** Words in s. 280(2) Table omitted (with effect in accordance with Sch. 5 para. 4 of the amending Act) by virtue of [Finance Act 2016 \(c. 24\)](#), [Sch. 5 para. 3\(1\)\(c\)](#)
- F832** Word in s. 280(2) entry substituted (6.4.2015) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 paras. 18](#), 20
- F833** Words in s. 280(2) Table substituted (15.9.2016) by [Finance Act 2016 \(c. 24\)](#), [s. 19\(6\)](#)
- F834** Words in s. 280(2) 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. 481\(3\)\(l\)](#) (with [Sch. 2](#))
- F835** Words in s. 280(2) 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. 481\(3\)\(m\)](#) (with [Sch. 2](#))
- F836** Words in s. 280(2) 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. 481\(3\)\(n\)](#) (with [Sch. 2](#))
- F837** S. 280(2) entry repealed (19.7.2007) (with effect in accordance with Sch. 19 para. 29(3) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), [Sch. 19 para. 8](#), [Sch. 27 Pt. 3\(1\)](#)

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- F838** Words in s. 280(2) inserted (19.3.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 5 paras. 5\(4\)](#), 15
- F839** Words in s. 280(2) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 56](#)
- F840** S. 280(2) entry 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. 77\(5\)](#)

### *Other supplementary provisions*

## 281 Minor and consequential amendments

- (1) Schedule 35 contains minor and consequential amendments of enactments in consequence of, or otherwise in connection with, this Part.
- (2) The Treasury may by order make such other amendments (including repeals and revocations) as may appear appropriate in consequence of, or otherwise in connection with, this Part—
- (a) in any enactment contained in an Act passed before 6th April 2006 or in the Session in which that date falls, and
  - (b) in any instrument made before that date or in the Session in which that date falls.
- [<sup>F841</sup>(2A) The Treasury may by order make in any relevant enactment such amendments (including repeals and revocations) as may appear appropriate in consequence of, or otherwise in connection with, any amendment (or repeal or revocation) made in this Part by any enactment contained in an Act passed after this Act (an “amending Act”).
- (2B) For this purpose a relevant enactment is—
- (a) an enactment contained in an Act passed, or
  - (b) an instrument made,
- before the passing of the amending Act or in the Session in which the amending Act is passed.]
- (3) An order under subsection (2) [<sup>F842</sup>or (2A)] may include any transitional provisions or savings appearing to the Treasury to be appropriate.
- <sup>F843</sup>(4) . . . . .

#### **Textual Amendments**

- F841** S. 281(2A)(2B) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 34\(2\)](#)
- F842** Words in s. 281(3) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 34\(3\)](#)
- F843** S. 281(4) omitted (21.7.2009) by virtue of [Finance Act 2009 \(c. 10\)](#), [s. 75\(2\)\(b\)](#)

#### **Commencement Information**

- I123** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

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## 282 Orders and regulations

[<sup>F844</sup>(A1) Any order or regulations made by the Treasury or the Commissioners for Her Majesty's Revenue and Customs under this Part may include provision having effect in relation to times before the order is, or regulations are, made if that provision does not increase any person's liability to tax.

(A2) Subsection (A1) does not limit any specific power to make provision by an order or regulations in relation to times before the order is, or regulations are, made.]

(1) Any power of the Treasury or the [<sup>F845</sup>Commissioners for Her Majesty's Revenue and Customs] to make any order or regulations under this Part is exercisable by statutory instrument.

[<sup>F846</sup>(1A) No order may be made under section 208(6), 209(7), 215(2A), [<sup>F847</sup>237B(11),] 240(3A) or 242(5)[<sup>F848</sup>, no order may be made under section 228(2) which specifies an amount for any tax year less than the annual allowance for the immediately preceding tax year and no order may be made under section 238A which increases any person's liability to tax] unless a draft of the statutory instrument containing it has been laid before, and approved by a resolution of, the House of Commons.]

(2) Any statutory instrument containing any order or regulations made by the Treasury or the [<sup>F845</sup>Commissioners for Her Majesty's Revenue and Customs] under this Part [<sup>F849</sup>, if made without a draft having been approved by a resolution of the House of Commons.] is subject to annulment in pursuance of a resolution of the House of Commons.

[<sup>F850</sup>(3) Subsection (2) does not apply to an instrument containing only regulations under section 218(2D).]

### Textual Amendments

**F844** S. 282(A1)(A2) inserted (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), [s. 75\(1\)](#)

**F845** Words in s. 282(1)(2) substituted (19.3.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 5 paras. 14, 15](#)

**F846** S. 282(1A) inserted (with effect in accordance with Sch. 2 para. 25 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 2 para. 18\(2\)](#)

**F847** Word in s. 282(1A) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 23\(a\)](#)

**F848** Words in s. 282(1A) inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 23\(b\)](#)

**F849** Words in s. 282(2) inserted (with effect in accordance with Sch. 2 para. 25 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 2 para. 18\(3\)](#)

**F850** S. 282(3) inserted (15.9.2016) by [Finance Act 2016 \(c. 24\)](#), [s. 19\(7\)](#)

### Modifications etc. (not altering text)

**C167** S. 282 modified (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 108\(2\)](#)

## 283 Transitionals and savings

(1) Schedule 36 contains miscellaneous transitional provisions and savings.

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- (2) The Treasury may by order make any other transitional provision which may appear appropriate in consequence of, or otherwise in connection with, this Part or the repeals made by this Act in consequence of this Part.
- (3) An order under subsection (2) may, in particular, include savings from the effect of any amendment made by this Part or any repeal made by this Act in consequence of this Part.
- [<sup>F851</sup>(3A) The Treasury may by order make any transitional provision which may appear appropriate in consequence of, or otherwise in connection with, any amendment (or repeal or revocation) made in this Part by any enactment contained in an Act passed after this Act (an “amending Act”).
- (3B) An order under subsection (3A) may, in particular, include savings from the effect of any amendment (or repeal or revocation) made by the amending Act.
- <sup>F852</sup>(3C) . . . . .]
- (4) Nothing in Schedule 36 limits the power conferred by subsection (2) [<sup>F853</sup>or (3A)].
- (5) Nothing in that Schedule or in any provision made by virtue of subsection (2) [<sup>F854</sup>or (3A)] prejudices the operation of sections 16 and 17 of the Interpretation Act 1978 (c. 30) (effect of repeals).

#### Textual Amendments

- F851** S. 283(3A)-(3C) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 35\(2\)](#)
- F852** S. 283(3C) omitted (21.7.2009) by virtue of [Finance Act 2009 \(c. 10\)](#), [s. 75\(2\)\(c\)](#)
- F853** Words in s. 283(4) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 35\(3\)](#)
- F854** Words in s. 283(5) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 35\(3\)](#)

## 284 Commencement

- (1) Chapters 3 to 7 and section 281 (with Schedule 35) do not come into force until 6th April 2006.
- (2) But any power to make an order or regulations under any of those provisions may be exercised at any time after this Act is passed.

## PART 5

### OIL

## 285 Certain receipts not to be tariff receipts

- (1) The Oil Taxation Act 1983 (c. 56) is amended as follows.
- (2) In section 6(2) (meaning of tariff receipts) after “Subject to the provisions of this section” insert “ and section 6A below ”.

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(3) After section 6 insert—

**“6A Tax-exempt tariffing receipts**

- (1) An amount which is a tax-exempt tariffing receipt (see subsection (2) below) does not constitute a tariff receipt for the purposes of the Oil Taxation Acts.
- (2) An amount is a “tax-exempt tariffing receipt” for the purposes of the Oil Taxation Acts if—
  - (a) it would, apart from this section, be a tariff receipt of a participator in an oil field,
  - (b) it is received or receivable by the participator in a chargeable period ending on or after 30th June 2004 under a contract entered into on or after 9th April 2003, and
  - (c) it is in respect of tax-exempt business (see subsection (3) below).
- (3) For the purposes of this section an amount is in respect of tax-exempt business if it is an amount received or receivable by a participator in an oil field in respect of—
  - (a) the use of a qualifying asset, or
  - (b) the provision of services or other business facilities of whatever kind in connection with the use, otherwise than by the participator himself, of a qualifying asset,and that use of the qualifying asset falls within subsection (4) below.
- (4) Use of a qualifying asset falls within this subsection if it is—
  - (a) use in relation to a new field (see subsection (5) below) or oil won from such a field, or
  - (b) use in relation to a qualifying existing field (see subsection (5) below) or oil won from such a field.
- (5) In this section—

“existing field” means any oil field or foreign field which is not a new field;

“foreign field” means, subject to subsection (6) below (treatment of transmedian fields), any hydrocarbon accumulation which is not under the jurisdiction of the government of the United Kingdom;

“licensee”, in relation to a foreign field, means a person who has rights, interests or obligations in respect of the foreign field under a licence or other authority granted by the government of a country other than the United Kingdom;

“new field” means—

  - (a) an oil field for no part of which had—
    - (i) consent for development been granted to a licensee by the Secretary of State before 9th April 2003; or
    - (ii) a programme of development been served on a licensee or approved by the Secretary of State before that date; or
  - (b) a foreign field for no part of which had—

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- (i) any consent for development been granted to a licensee by the government of a country other than the United Kingdom before 9th April 2003; or
- (ii) a programme of development been served on a licensee or approved by such a government before that date;

and subsections (4) and (5) of section 36 of the Finance Act 1983 (which define “development” for the purposes of subsections (2) and (3) of that section) shall apply also for the purposes of this definition;

“the Oil Taxation Acts” means—

- (a) Parts 1 and 3 of the principal Act;
- (b) this Act; and
- (c) any other enactment relating to petroleum revenue tax;

“qualifying existing field” means an existing field as respects which the condition in section 6B(1) below is satisfied.

- (6) For the purposes of this section, in the case of an oil field which, by virtue of section 107 of the Finance Act 1980 (transmedian fields), is deemed to include the sector mentioned in subsection (1)(a)(ii) of that section—
  - (a) that sector shall be treated as a foreign field, and
  - (b) the remainder of that field shall be treated as a separate oil field.
- (7) In the application of provisions of the Oil Taxation Acts relating to tax-exempt tariffing receipts, references to oil, in relation to a foreign field, are references to any substance that would be oil within the meaning of the principal Act if the enactments mentioned in section 1(1) of that Act extended to the foreign field.
- (8) This section is subject to the transitional provisions in Part 2 of Schedule 37 to the Finance Act 2004 (expenditure incurred between 9th April and 31st December 2003: treatment of initial portion of tax-exempt tariffing receipts as tariff receipts).

### **6B The condition for being a qualifying existing field**

- (1) The condition for an existing field to be a qualifying existing field for the purposes of section 6A above is that at no time in the period of 6 years ending with 8th April 2003 (“the 6 year period”) was there—
  - (a) any use of a disqualifying asset (see subsection (2) below) in a UK area (see subsection (11) below) in relation to the field or oil won from it, or
  - (b) any provision of any services or other business facilities of whatever kind in connection with the use of a disqualifying asset in a UK area in relation to the field or oil won from it.
- (2) For the purposes of subsection (1) above “disqualifying asset”, in relation to an existing field and any time in the 6 year period, means an asset which at that time—
  - (a) was a qualifying asset in relation to a participator in an oil field; and
  - (b) was not an excepted asset (see subsection (3) below).

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- (3) For the purposes of subsection (2) above “excepted asset”, in relation to an existing field and any time in the 6 year period, means any of the following—
- (a) any asset (other than a tanker) which at that time was wholly situated in the existing field;
  - (b) any tanker which at that time was a non-dedicated tanker (see subsection (10) below) being used for transporting from the existing field oil which had been won from that field;
  - (c) any asset which at that time was being used in relation to oil which had been won from the existing field and transported from that field by a non-dedicated tanker;
  - (d) if the existing field is an oil field and is expected not to be a tanker loading field (see subsection (7) below)—
    - (i) any tanker which at that time was a dedicated tanker (see subsection (9) below) being used for transporting from the existing field oil which had been won from that field;
    - (ii) any asset which at that time was being used in relation to oil which had been won from the existing field and transported from that field by a dedicated tanker;
    - (iii) any asset which at that time was being used to transport from the existing field oil consisting of gas won from that field to another oil field for the purpose of enabling that oil to be used for assisting the extraction of oil from that other field;
  - (e) if at that time the existing field was not a taxable field, any asset by reference to which an election under section 231 of the Finance Act 1994 (election by reference to asset with excess capacity) was at that time in operation with respect to an oil field.
- (4) Where any use of an asset is, by virtue of subsection (3) above, use of an excepted asset, the provision of any services or other business facilities of whatever kind in connection with that use of that asset accordingly falls to be disregarded for the purposes of subsection (1)(b) above.
- (5) Where an asset in a UK area—
- (a) is a qualifying asset in relation to a participator in such an oil field as is mentioned in section 107 of the Finance Act 1980 (a “participator in the UK sector”), and
  - (b) is also, by virtue of paragraph 3 of Schedule 4 to this Act, a chargeable asset in relation to a participator in a foreign field (a “participator in the foreign sector”),
- subsection (6) below applies in relation to use of the asset in relation to the existing field or oil won from it.
- (6) Where this subsection applies, then, in determining for the purposes of subsection (1) above whether there has been any use of a disqualifying asset in relation to the existing field or oil won from it, any use of the asset in relation to that field or oil won from it shall be treated—
- (a) as use of a qualifying asset in relation to a participator in an oil field, if or to the extent that the use is attributable, on a just and reasonable basis, to a participator in the UK sector, or

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- (b) as use of an asset which was not a qualifying asset in relation to a participator in an oil field, if or to the extent that the use is attributable, on a just and reasonable basis, to a participator in the foreign sector.
- (7) For the purposes of subsection (3) above, the existing field is expected not to be a tanker loading field if, at the time when the relevant contract is entered into, it is expected that all (or virtually all) of the oil (other than oil consisting of gas) to be won from that field and transported from it after the beginning of the operational period will be so transported otherwise than by tanker.
- (8) For the purposes of subsection (7) above—
- (a) “the relevant contract” means the contract mentioned in section 6A(2) (b) above; and
  - (b) “the beginning of the operational period” means the time at which the qualifying asset to which that contract relates begins to be used under that contract in relation to the existing field or oil won from that field.
- (9) For the purposes of subsection (3) above a tanker is a dedicated tanker at any time if—
- (a) the existing field mentioned in that subsection is an oil field, and
  - (b) at that time the tanker is a mobile asset dedicated to that oil field (see section 2 above).
- (10) For the purposes of subsection (3) above a tanker is a non-dedicated tanker—
- (a) at any time, if the existing field mentioned in that subsection is not an oil field, or
  - (b) where that field is an oil field, at any time when the tanker is not a mobile asset dedicated to that oil field.
- (11) In this section “UK area” means each of the following—
- (a) the United Kingdom;
  - (b) the territorial sea of the United Kingdom;
  - (c) a designated area, to the extent that it does not fall to be treated by virtue of section 6A(6) above as a foreign field.
- (12) This section shall be construed as one with section 6A above.”.
- (4) In Schedule 2 (supplemental provisions in relation to receipts from qualifying assets) in paragraph 12 (purchase at place of extraction)—
- (a) in sub-paragraph (1), for “Subject to sub-paragraphs (4) and (5)” substitute “Subject to sub-paragraphs (4) to (6)”, and
  - (b) at the end of the paragraph add—
    - “(6) In any chargeable period ending on or after 30th June 2004, sub-paragraph (1) above does not apply to oil in a case where—
      - (a) had the operation or operations to which the oil was subjected as mentioned in paragraph (b) of that sub-paragraph been carried out under a contract entered into on or after 9th April 2003, and
      - (b) had an amount been received or receivable under the contract in that chargeable period by the participator,
 that amount would have been a tax-exempt tariffing receipt.”.



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- (5) Schedule 37 to this Act has effect; and in that Schedule—
- Part 1 makes amendments to the Oil Taxation Act 1983 (c. 56) relating to allowable expenditure and disposal receipts;
  - Part 2 makes transitional provision;
  - Part 3 makes amendments to the Taxes Act 1988;
  - Part 4 makes amendments to other enactments.

- (6) In Part 1 of Schedule 37 to this Act—
- (a) the amendments made by paragraph 5 (which relate to disposal receipts) have effect in relation to disposals in chargeable periods ending on or after 30th June 2004, and
  - (b) the other amendments made by that Part have effect in relation to expenditure incurred on or after 1st January 2004.

<sup>F855</sup>(7) .....

- (8) The amendments made by Part 4 of that Schedule have effect in relation to chargeable periods (within the meaning of section 98 of the Finance Act 1999 (c. 16)) ending on or after 30th June 2004.

#### Textual Amendments

**F855** S. 285(7) repealed (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 10 Pt. 6](#) (with [Sch. 9 paras. 1-9, 22](#)) and repealed (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\), s. 1184\(1\), Sch. 3 Pt. 2](#) (with [Sch. 2](#))

### 286 Petroleum extraction activities: exploration expenditure supplement

- (1) Chapter 5 of Part 12 of the Taxes Act 1988 (petroleum extraction activities) is amended as follows.
- (2) After section 496 (tariff receipts) insert—

#### “496A Exploration expenditure supplement

Schedule 19B to this Act (exploration expenditure supplement) shall have effect.”.

- (3) Before Schedule 20 insert the Schedule 19B set out in Schedule 38 to this Act.

### 287 Restrictions on expenditure allowable

- (1) In Schedule 4 to the Oil Taxation Act 1975 (c. 22), paragraph 2 (restrictions on expenditure allowable where acquisition etc from connected person or otherwise not at arm’s length) is amended as follows.
- (2) In sub-paragraph (1), for the words following paragraph (b) (which limit the expenditure allowable to the cost in a transaction to which paragraph 2 does not apply) substitute— “ as having incurred that expenditure only to the extent that it does not exceed the lowest of the amounts described in sub-paragraph (1ZA) below which is applicable in the particular case. ”.

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(3) After sub-paragraph (1) insert—

“(1ZA) Those amounts are—

- (a) the amount of expenditure (other than loan expenditure) incurred up to the time mentioned in sub-paragraph (1) above in a transaction to which this paragraph does not apply (or, if there has been more than one such transaction, the later or latest of them) in acquiring, bringing into existence, or enhancing the value of, the asset;
- (b) the amount of the open market consideration for the acquisition, bringing into existence, or enhancement of the value, of the asset;
- (c) in a case where the other party to the transaction is a participator in a taxable field and in the case of that participator either—
  - (i) an amount is brought into account under section 2 of this Act in accordance with section 7(1) of the Oil Taxation Act 1983 as disposal receipts in respect of the transaction, or
  - (ii) no amount is so brought into account by reason of reductions falling to be made in the amount that would have been so brought into account apart from those reductions,
- (d) in a case where the other party to the transaction is not a participator in a taxable field but—
  - (i) the transaction is the latest in a series of transactions in respect of the asset (or in respect of an asset or assets in which the asset was comprised),
  - (ii) those transactions are transactions to which this paragraph applies,
  - (iii) in the case of at least one of those transactions, there is a party who is a participator in an oil field, and
  - (iv) in the case of any such party, an amount either is brought into account as mentioned in paragraph (c)(i) above in respect of the transaction or would have been so brought into account but for such reductions as are mentioned in paragraph (c)(ii) above,

so much of the amount so brought into account in respect of that transaction (or, where there are two or more such transactions, the later or latest of them) as is justly and reasonably referable to the asset mentioned in sub-paragraph (1) above (taking that amount as being nil in the case of any transaction where no amount is so brought into account by reason of any such reductions).”.

(4) In sub-paragraph (1B) (meaning of “loan expenditure” in sub-paragraph (1)) for “(1)” substitute “(1ZA)(a)”.

(5) After sub-paragraph (1B) insert—

“(1C) The reference in sub-paragraph (1ZA)(b) above to the open market consideration for the acquisition, bringing into existence, or enhancement of the value, of an asset is a reference to the consideration which might reasonably have been given for the acquisition, bringing into existence, or enhancement of the value, of the asset (whatever the nature of the acquisition,

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bringing into existence or enhancement of the value) had it been made in a transaction to which this paragraph does not apply.”.

- (6) The amendments made by this section have effect in relation to expenditure incurred on or after 17th March 2004.

## **288 Terminal losses**

- (1) Schedule 17 to the Finance Act 1980 (c. 48) (transfers of interests in oil fields) is amended as follows.
- (2) For paragraph 15 (terminal losses) substitute—

### **15 “Terminal losses**

- (1) This paragraph applies in any case where—
- (a) such an allowable loss as falls to be relieved under section 7(3) accrues to the new participator from the field in a chargeable period ending after 17th March 2004, but
  - (b) some or all of the loss cannot be relieved under section 7(3) against assessable profits accruing to him from the field.
- (2) So much of the loss as cannot be so relieved (“the remaining loss”) shall be regarded as an allowable unrelievable field loss in relation to the new participator (“the loss-maker”) only to the extent that—
- (a) so much of it as cannot be relieved in accordance with sub-paragraphs (3) to (6) below,  
exceeds
  - (b) the aggregate of any relevant previous participators' expenditure unrelated to the field (see sub-paragraphs (10) and (11) below).
- (3) The remaining loss shall be treated as an allowable loss which falls to be relieved under section 7(3) against so much of any assessable profits accruing to the old participator from the field as is attributable to his represented interest (see sub-paragraphs (9) and (12) below).
- (4) Where a person is the new participator in relation to two or more old participators—
- (a) the remaining loss shall be apportioned between those old participators in such manner as is just and reasonable having regard to the interests respectively transferred by them to the new participator,
  - (b) sub-paragraph (3) above shall have effect separately in relation to each of them (and the part of the remaining loss apportioned to him).
- (5) Any relief by virtue of sub-paragraph (3) above shall be given against the assessable profits accruing to the old participator in an earlier chargeable period only to the extent to which it cannot be given against the assessable profits accruing to him in a later chargeable period.
- (6) If—
- (a) the old participator acquired some or all of his interest in the field by a previous transfer in relation to which he was the new participator,

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- (b) Parts 2 and 3 of this Schedule applied in relation to that previous transfer, and
- (c) some or all of the part of the remaining loss treated as an allowable loss of his cannot be relieved in accordance with sub-paragraph (3) above,

sub-paragraphs (3) to (5) above shall apply in relation to so much of that part of the remaining loss as cannot be so relieved as they apply in relation to the remaining loss, but construing the references in those sub-paragraphs to the new participator and the old participator by reference to that previous transfer and the parties to it, and then applying this sub-paragraph accordingly (and so on).

(7) But where—

- (a) the person who is the old participator in relation to a transfer made before 17th March 2004 (“the later transfer”) is also the new participator in relation to a previous transfer, and
- (b) Parts 2 and 3 of this Schedule applied in relation to both of those transfers,

sub-paragraph (3) above shall not apply by virtue of sub-paragraph (6) above in relation to so much of the assessable profits of the person who is the old participator in relation to that previous transfer as is attributable to so much of his interest as constitutes the whole or part of his represented interest by virtue of the later transfer.

- (8) Where losses accruing to each of two or more participators fall to be relieved by virtue of sub-paragraph (3) above against the same assessable profits, a loss accruing to the person who last had an interest representing the whole or part of the transferred interest at an earlier time shall be so relieved before one accruing to a person who last had such an interest at a later time.

In this sub-paragraph “the transferred interest” means the interest transferred by the person against whose assessable profits the losses fall to be relieved.

- (9) In determining for the purposes of this paragraph the assessable profits of a participator that are attributable to his represented interest, the assessable profits shall be apportioned between—

- (a) the represented interest, and
- (b) the remainder of the participator’s interest,

using such method as is just and reasonable, having regard to the respective sizes of those interests.

- (10) For the purposes of this paragraph “relevant previous participators’ expenditure unrelated to the field” means so much of each relevant previous participator’s allowed expenditure unrelated to the field as is referable to his represented interest, other than excepted old expenditure.

- (11) For the purposes of sub-paragraph (10) above—

“allowed expenditure unrelated to the field”, in relation to a participator, is expenditure unrelated to the field which is allowed on a claim or election made by the participator;

“excepted old expenditure” is expenditure which has been allowed in pursuance of a claim or election for its allowance received by the Board before 17th March 2004;

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“relevant previous participator” means a participator against any of whose assessable profits relief is given in accordance with sub-paragraphs (3) to (6) above;

and sub-paragraph (9) above shall apply in relation to allowed expenditure unrelated to the field as it applies in relation to assessable profits.

(12) In this paragraph—

“expenditure unrelated to the field” has the meaning given by section 6(9);

“the loss-maker” shall be construed in accordance with sub-paragraph (2) above;

“previous owner” means a person from whom the loss-maker directly or indirectly derives his title to the whole or any part of his interest;

“represented interest”, in the case of a previous owner, means so much of the interest which that previous owner transferred, by a transfer to which Parts 2 and 3 of this Schedule apply, as is represented in the loss-maker’s interest by virtue only of—

- (a) that transfer, or
- (b) that transfer and one or more subsequent transfers to which those Parts apply,

making, for the purposes of paragraph (b) above, such apportionments as are just and reasonable, having regard to the interests transferred by each of the transferors.”.

(3) The amendment made by this section has effect in relation to losses accruing in chargeable periods ending after 17th March 2004.

## PART 6

### OTHER TAXES

#### *Climate change levy*

#### **289 Supplies to producers of commodities**

(1) Schedule 6 to the Finance Act 2000 (c. 17) (climate change levy) is amended as set out in subsections (2) to (5).

(2) In paragraph 13 (exemption for supplies to producers of commodities), in paragraph (b), after sub-paragraph (ii) insert—

“(ia) in producing biodiesel for chargeable use within the meaning of section 6AA of the Hydrocarbon Oil Duties Act 1979 (excise duty on biodiesel),

(iib) in producing bioblend for delivery for home use from any place mentioned in section 6AB(1)(b) of that Act (excise duty on bioblend),

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- (iic) in producing bioethanol for chargeable use within the meaning of section 6AD of that Act (excise duty on bioethanol),
  - (iid) in producing bioethanol blend for delivery for home use from any place mentioned in section 6AE(1)(b) of that Act (excise duty on bioethanol blend).”
- (3) In paragraph 13(b)(iii), for “liquids that are not hydrocarbon oil” substitute “ liquids (within the meaning of that section) in respect of which a charge is capable of arising under that section ”.
- (4) In paragraph 13, for the words from “For this purpose” to the end substitute— “ Expressions which are used in this paragraph and the Hydrocarbon Oil Duties Act 1979 have the same meaning in this paragraph as they have in that Act. ”
- (5) After paragraph 13 insert—

- “13A
- (1) The Commissioners may by regulations make provision amending paragraph 13 for the purpose of—
    - (a) extending the circumstances in which a supply of a taxable commodity is exempt from the levy, or
    - (b) restricting the circumstances in which a supply of a taxable commodity is exempt from the levy.
  - (2) Regulations under this paragraph that include provision made for the purpose mentioned in sub-paragraph (1)(a) may provide for the provision to have retrospective effect.
  - (3) A statutory instrument that contains (whether alone or with other provisions) regulations under this paragraph made for the purpose mentioned in sub-paragraph (1)(b) shall not be made unless a draft of the instrument has been laid before Parliament and approved by a resolution of the House of Commons.”
  - (6) The amendments made by subsections (2) to (4) have effect—
    - (a) as regards biodiesel and bioblend, in relation to supplies made on or after the day on which this Act is passed;
    - (b) as regards bioethanol and bioethanol blend, in relation to supplies made on or after 1st January 2005.

#### *Aggregates levy*

### **290 Transitional tax credit in Northern Ireland: changes to existing scheme**

- (1) In section 30A of the Finance Act 2001 (c. 9) (aggregates levy: transitional tax credit in Northern Ireland) after subsection (3) insert—
- “(4) The Treasury may by order made by statutory instrument amend subsection (2) above so as to—
- (a) change the period in relation to which the amount of a tax credit is to be reduced;
  - (b) change the amount by which a tax credit is to be reduced.

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(5) An order under subsection (4) above shall not be made unless a draft of the order has been laid before Parliament and approved by a resolution of the House of Commons.”

(2) This section shall be deemed to have come into force on 1st April 2004.

## **291 Transitional tax credit in Northern Ireland: new scheme**

(1) Part 2 of the Finance Act 2001 (aggregates levy) is amended as set out in subsections (2) and (3).

(2) For section 30A substitute—

### **“30A Transitional tax credit in Northern Ireland**

(1) The Commissioners may by regulations make provision of the kind described in section 30(2) above (entitlement to tax credit) in relation to cases within subsection (2) below.

(2) The cases are those where a charge to aggregates levy has arisen on a quantity of aggregate which has been subjected to commercial exploitation in Northern Ireland during a period—

- (a) starting on the prescribed date, and
- (b) ending on 31st March 2011.

(3) The date prescribed for the purposes of subsection (2)(a) above may be earlier than the date on which this section comes into force.

(4) The amount of a tax credit to which a person is entitled under the regulations must not be more than 80% of any aggregates levy charged on the aggregate in question.

(5) Regulations under this section may in particular make provision—

- (a) for a person operating a site to be entitled to a tax credit under the regulations in respect of a period for which he holds an aggregates levy credit certificate which has been issued in respect of the site and which has not been withdrawn;
- (b) for an aggregates levy credit certificate to be issued to a person in respect of a site only if an aggregates levy credit agreement is in force in respect of the site;
- (c) for the withdrawal of an aggregates levy credit certificate where the aggregates levy credit agreement in respect of which it was issued is no longer in force;
- (d) for the form and content of aggregates levy credit certificates and aggregates levy credit agreements.

(6) Regulations under this section which make provision such as is mentioned in subsection (5)(d) above may be framed by reference to any provisions of a notice published by the Commissioners in pursuance of the regulations and not withdrawn by a further notice.

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- (7) If regulations under this section make provision such as is mentioned in subsection (5) above, the Commissioners or the Northern Ireland Department may—
- (a) enter into aggregates levy credit agreements;
  - (b) issue and withdraw aggregates levy credit certificates;
  - (c) take such other steps as the Commissioners or the Northern Ireland Department consider appropriate in relation to aggregates levy credit agreements and aggregates levy credit certificates.
- (8) Regulations under this section which make provision such as is mentioned in subsection (5) above must include provision requiring the Northern Ireland Department to inform the Commissioners if the Northern Ireland Department issues or withdraws an aggregates levy credit certificate.
- (9) Subsections (3) to (5) of section 30 above apply to regulations under this section as they apply to regulations under that section.
- (10) The Treasury may by order made by statutory instrument amend subsection (4) above by substituting for the percentage for the time being specified in that subsection a percentage lower than 80%.
- (11) An order under subsection (10) above shall not be made unless a draft of the order has been laid before Parliament and approved by a resolution of the House of Commons.
- (12) Any expenses of the Northern Ireland Department under this section shall be charged on the Consolidated Fund of Northern Ireland.
- (13) In this section—
- “aggregates levy credit agreement” means an agreement entered into in respect of a site by the person operating the site and the Commissioners or the Northern Ireland Department;
- “aggregates levy credit certificate” means a certificate issued to the person operating a site by the Commissioners or the Northern Ireland Department as evidence of the fact that an aggregates levy credit agreement has been entered into in respect of the site;
- “the Northern Ireland Department” means the Department of the Environment in Northern Ireland.”
- (3) In section 48(1) (interpretation), in the definition of “tax credit regulations” after “section 30” insert “ or 30A ”.
- (4) The preceding provisions of this section come into force on such day as the Treasury may by order made by statutory instrument appoint.
- (5) An order under subsection (4) may—
- (a) make different provision for different purposes;
  - (b) make incidental, consequential, supplemental or transitional provision and savings.



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### Commencement Information

**1124** S. 291 wholly in force at 23.7.2004; s. 291(4)(5) in force at Royal Assent, see s. 291(4); s. 291(1)-(3) in force at 23.7.2004 by S.I. 2004/1942, art. 2

## *Lorry road-user charge*

### **292 Lorry road-user charge**

- (1) Section 137 of the Finance Act 2002 (c. 23) (lorry road-user charge) is amended as follows.
- (2) For subsection (4) substitute—
  - “(4) Lorry road-user charge—
    - (a) shall be under the care and management of the Commissioners of Customs and Excise, and
    - (b) shall be administered and enforced in accordance with such provisions as Parliament may determine.”.
- (3) For subsections (5) and (6) substitute—
  - “(5) All money and securities for money collected or received for or on account of lorry road-user charge shall—
    - (a) if collected or received in Great Britain, be placed to the general account of the Commissioners of Customs and Excise kept at the Bank of England under section 17 of the Customs and Excise Management Act 1979;
    - (b) if collected or received in Northern Ireland, be paid into the Consolidated Fund of the United Kingdom in such manner as the Treasury may direct.”.

## *Inheritance tax*

### **293 Delivery of accounts etc**

- (1) Section 256 of the Inheritance Tax Act 1984 (c. 51) (regulations about information to be furnished to the Board) is amended as follows.
- (2) In subsection (1)—
  - (a) in paragraph (a), after “specified in” insert “ or determined under ”;
  - (b) after paragraph (a) insert—
    - “(aa) requiring persons who by virtue of regulations under paragraph (a) above are not required to deliver accounts under section 216 above to produce to the Board, in such manner as may be specified in or determined under the regulations, such information or documents as may be so specified or determined”;
  - (c) in paragraph (b), after “so specified” insert “ or determined ”;
  - (d) paragraph (c) shall cease to have effect.

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(3) After subsection (1) insert—

“(1A) Regulations under subsection (1)(aa) may in particular—

- (a) provide that information or documents must be produced to the Board by producing it or them to—
  - (i) a probate registry in England and Wales;
  - (ii) the sheriff in Scotland;
  - (iii) the Probate and Matrimonial Office in Northern Ireland;
- (b) provide that information or documents produced as specified in paragraph (a) is or are to be treated for any or all purposes of this Act as produced to the Board;
- (c) provide for the further transmission to the Board of information or documents produced as specified in paragraph (a).”

(4) Subsection (2) shall cease to have effect.

(5) In subsection (3), at the end insert “ and may make different provision for different cases ”.

(6) After subsection (3) insert—

“(3A) Regulations under this section may only be made—

- (a) in relation to England and Wales or Northern Ireland, after consulting the Lord Chancellor;
- (b) in relation to Scotland, after consulting the Scottish Ministers.”

## 294 Grant of probate

(1) In section 109 of the [<sup>F856</sup>Senior Courts Act 1981] (c. 54) (refusal of grant of probate where inheritance tax unpaid)—

(a) for subsection (1) substitute—

“(1) No grant shall be made, and no grant made outside the United Kingdom shall be resealed, except—

- (a) on the production of information or documents under regulations under section 256(1)(aa) of the Inheritance Tax Act 1984 (excepted estates); or
- (b) on the production of an account prepared in pursuance of that Act showing by means of such receipt or certification as may be prescribed by the Commissioners either—
  - (i) that the inheritance tax payable on the delivery of the account has been paid; or
  - (ii) that no such tax is so payable.”;
- (b) in subsection (2), for “this section” substitute “ subsection (1)(b) ”;
- (c) after subsection (2) insert—

“(2A) In this section and the following section, “the Commissioners” means the Commissioners of Inland Revenue”;

(d) subsection (3) shall cease to have effect.

(2) In section 42 of the Probate and Legacy Duties Act 1808 (c. 149) (grant of confirmation)—

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- (a) the existing text shall become subsection (1) of that section;
  - (b) at the beginning of that subsection, for “And” substitute “ Subject to subsection (2) below, ”; and
  - (c) after that subsection insert—
    - “(2) In a case to which regulations under section 256(1)(aa) of the Inheritance Tax Act 1984 (c. 51) apply (excepted estates), it shall not be lawful to grant confirmation such as is mentioned in subsection (1) above except on the production of information or documents in accordance with those regulations.”
- (3) In Article 20 of the Administration of Estates (Northern Ireland) Order 1979 (S.I.1979/1575 (N.I.14)) (inheritance tax accounts)—
- (a) for paragraph (1) substitute—
    - “(1) The High Court shall not make any grant, or reseal any grant made outside the United Kingdom, except—
      - (a) on the production of information or documents under regulations under section 256(1)(aa) of the Inheritance Tax Act 1984 (excepted estates); or
      - (b) on the production of an account prepared in pursuance of that Act showing by means of such receipt or certification as may be prescribed by the Commissioners of Inland Revenue either—
        - (i) that the inheritance tax payable on the delivery of the account has been paid; or
        - (ii) that no such tax is so payable.”;
    - (b) in paragraph (2) of that Article, for “this Article” substitute “ paragraph (1) (b) ”.
- (4) Subsection (1) shall come into force on such day as the Treasury may after consulting the Lord Chancellor by order made by statutory instrument appoint.
- (5) Subsection (2) shall come into force on such day as the Treasury may after consulting the Scottish Ministers by order made by statutory instrument appoint.
- (6) Subsection (3) shall come into force on such day as the Treasury may after consulting the Lord Chancellor by order made by statutory instrument appoint.

#### Textual Amendments

**F856** Words in Act substituted (1.10.2009) by [Constitutional Reform Act 2005 \(c. 4\)](#), s. 148(1), [Sch. 11 para. 1\(2\)](#); [S.I. 2009/1604](#), art. 2(d)

#### Commencement Information

**I125** S. 294(1)-(3) in force at 1.11.2004 by [S.I. 2004/2571](#), [art. 2](#)

**I126** S. 294(4)-(6) in force at Royal Assent, see s. 294(4)-(6)

## 295 Amendments to penalty regime

- (1) The Inheritance Tax Act 1984 (c. 51) is amended as specified in subsections (2) to (4).
- In section 245 (failure to deliver accounts)—

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- (2) (a) in subsections (2)(a) and (3), for “not exceeding” substitute “ of ”;
- (b) after subsection (4) insert—
- “(4A) Without prejudice to any penalties under subsections (2) and (3) above, if—
- (a) the failure by the taxpayer to deliver the account continues after the anniversary of the end of the period given by section 216(6) or (7) (whichever is applicable), and
- (b) there would have been a liability to tax shown in the account, the taxpayer shall be liable to a penalty of an amount not exceeding £3,000.”
- (3) In section 245A (failure to provide information etc)—
- (a) after subsection (1A) insert—
- “(1B) Without prejudice to any penalties under subsection (1A) above, if a person continues to fail to comply with the requirements of section 218A after the anniversary of the end of the period of six months referred to in section 218A(1), he shall be liable to a penalty of an amount not exceeding £3,000.”;
- (b) in subsection (5)—
- (i) after “failing to make a return” insert “ , to comply with the requirements of section 218A ”;
- (ii) after “fails to make the return” insert “ , to comply with the requirements of section 218A ”.
- (4) In section 247 (provision of incorrect information)—
- <sup>F857</sup>(a) .....
- (b) in subsection (3), for the words from “, in the case of fraud” to the end substitute “ to a penalty not exceeding £3,000 ”.
- (5) Subsection (2)(a) above has effect in relation to a failure by any person to deliver an account under section 216 or 217 of the Inheritance Tax Act 1984 (c. 51) where the period under section 216(6) or (7) or 217 of that Act (whichever is applicable) within which the person is required to deliver the account expires after six months from the day on which this Act is passed.
- (6) Subsection (2)(b) above has effect—
- (a) in relation to a failure by any person to deliver an account under section 216 of the Inheritance Tax Act 1984 where the period under section 216(6) or (7) of that Act (whichever is applicable) within which the person is required to deliver the account expires after the day on which this Act is passed; and
- (b) in relation to such a failure to deliver such an account where that period expires on or before the day on which this Act is passed, as if, in the subsection (4A) inserted in section 245 of that Act by subsection (2)(b) above, for the words “anniversary of the end of the period given by section 216(6) or (7) (whichever is applicable)” there were substituted “ end of the period of twelve months beginning with the day on which the Finance Act 2004 is passed ”.
- (7) Subsection (3)(a) above has effect—
- (a) in relation to a failure to comply with the requirements of section 218A of the Inheritance Tax Act 1984 where the period of six months referred to in

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- subsection (1) of that section expires after the day on which this Act is passed;  
and
- (b) in relation to such a failure to comply with those requirements where that period expires on or before the day on which this Act is passed, as if, in the subsection (1B) inserted in section 245A of that Act by subsection (3) (a) above, for the words “anniversary of the end of the period of six months referred to in section 218A(1)” there were substituted “end of the period of twelve months beginning with the day on which the Finance Act 2004 is passed”.
- (8) Subsection (3)(b) above has effect in relation to a failure to comply with the requirements of section 218A of the Inheritance Tax Act 1984 where the period of six months referred to in subsection (1) of that section expires after the day on which this Act is passed.
- (9) Subsection (4) above has effect in relation to incorrect accounts, information or documents delivered, furnished or produced after the day on which this Act is passed.

#### Textual Amendments

**F857** S. 295(4)(a) omitted (1.4.2009) by virtue of [Finance Act 2008 \(c. 9\)](#), s. 122(2), [Sch. 40 para. 21\(1\)](#); [S.I. 2009/571](#), art. 2

### *Stamp duty land tax and stamp duty*

#### **296 Miscellaneous amendments**

Schedule 39 to this Act, which makes amendments to Part 4 (stamp duty land tax) and Part 5 (stamp duty) of the Finance Act 2003 (c. 14), has effect.

### *Stamp duty land tax*

#### **297 Leases**

- (1) Part 4 of the Finance Act 2003 (c. 14) (stamp duty land tax) is amended as follows.
- (2) In subsection (3) of section 43 (land transactions), in paragraph (d) (inserted by paragraph 2(b) of Schedule 39 to this Act), after “where” insert “(i)” and at the end insert “, or
- (ii) paragraph 15A of Schedule 17A (reduction of rent or term) applies.”.
- (3) In section 48 (chargeable interests), at the end of subsection (7) (inserted by paragraph 4(2) of that Schedule) insert “and to paragraph 15A of Schedule 17A (reduction of rent or term of lease)”.
- (4) In section 53 (deemed market value where transaction involves connected company), for subsection (1) substitute—
- “(1) This section applies where the purchaser is a company and—
- (a) the vendor is connected with the purchaser, or

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- (b) some or all of the consideration for the transaction consists of the issue or transfer of shares in a company with which the vendor is connected.
- (1A) The chargeable consideration for the transaction shall be taken to be not less than—
- (a) the market value of the subject-matter of the transaction as at the effective date of the transaction, and
- (b) if the acquisition is the grant of a lease at a rent, that rent.”.
- (5) In section 79 (registration of land transactions etc), in subsection (2) (transactions to which section does not apply) (as amended by paragraph 7 of Schedule 39 to this Act)
- (a) in paragraph (a) for the words from “by virtue of” to the end substitute “by virtue of—
- (i) section 45 (contract and conveyance: effect of transfer of rights), or
- (ii) paragraph 12B of Schedule 17A (assignment of agreement for lease);”;
- (b) at the end insert—
- “(c) under paragraph 12A(2) or 19(3) of Schedule 17A (agreement for lease), or
- (d) under paragraph 13 (increase of rent) or 15A (reduction of rent or term) of that Schedule.”.
- (6) After that subsection insert—
- “(2A) Subsection (1), so far as relating to the entry of a notice under section 34 of the Land Registration Act 2002 or section 38 of the Land Registration Act (Northern Ireland) 1970 (notice in respect of interest affecting registered land), does not apply where the land transaction in question is the variation of a lease.”.
- (7) In subsection (3) of that section, after “The certificate” insert “ referred to in subsection (1) ”.
- (8) In Schedule 4 (chargeable consideration), in paragraph 10 (carrying out of works), in sub-paragraph (2A) (inserted by paragraph 9(2) of Schedule 39 to this Act), for the words from the beginning to “completion),” substitute—
- “Where by virtue of—
- (a) subsection (8) of section 44 (contract and conveyance),
- (b) paragraph 12A of Schedule 17A (agreement for lease), or
- (c) paragraph 19(3) to (6) of Schedule 17A (missives of let etc in Scotland),
- there are two notifiable transactions (the first being the contract or agreement and the second being the transaction effected on completion or, as the case may be, the grant or execution of the lease), ”.
- (9) Subsections (2) to (4) and (8) apply in relation to any transaction of which the effective date is on or after the day on which this Act is passed.

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- (10) Subsections (5) to (7) apply in relation to any transaction or deemed transaction of which the effective date is on or after 17th March 2004.
- (11) In this section “effective date” has the same meaning as in Part 4 of the Finance Act 2003 (c. 14).

## 298 Notification, registration and penalties

- (1) Part 4 of the Finance Act 2003 (stamp duty land tax) is amended as follows.
  - (2) In section 77 (notifiable transactions)—
    - (a) after subsection (2) insert—

“(2A) The assignment of a lease is notifiable if—

      - (a) the grant of the lease, if occurring at the time of the assignment, would be notifiable, or
      - (b) there is consideration for the assignment that is chargeable at a rate of 1% or higher, or would be so chargeable but for a relief.”;
    - (b) in subsection (3), for “unless it is exempt from charge under Schedule 3” substitute “unless—
      - (a) the acquisition is exempt from charge under Schedule 3, or
      - (b) the land consists entirely of residential property and the chargeable consideration for the acquisition, together with that of any linked transactions, is less than £1,000”;
  - (c) after subsection (5) (inserted by paragraph 4(3) of Schedule 39 to this Act) insert—

“(6) In this section “relief” does not include any exemption from charge under Schedule 3.”.
- (3) <sup>F858</sup>In section 79 (registration of land transactions etc), in subsection (1)(b), after “any register maintained by the Keeper of the Registers of Scotland” insert “ (other than the Register of Community Interests in Land) ”.]
- (4) In section 99 (general provisions about penalties), after subsection (2) insert—

“(2A) Where a person is liable to more than one tax-related penalty in respect of the same land transaction, each penalty after the first shall be reduced so that his liability to such penalties, in total, does not exceed the amount of whichever is (or, but for this subsection, would be) the greatest one.”.

<sup>F859</sup>(5) .....

### Textual Amendments

**F858** S. 298(3) omitted (with effect in accordance with s. 29(4) of the amending Act) by virtue of [Scotland Act 2012 \(c. 11\)](#), s. 44(2)(b)(3)(b), [Sch. 3 para. 28](#) (with s. 29(5)(6)); S.I. 2015/637, art. 2

**F859** S. 298(5) omitted (with effect in accordance with Sch. 39 para. 10(4) of the amending Act) by virtue of [Finance Act 2012 \(c. 14\)](#), [Sch. 39 para. 8\(2\)\(c\)](#) (with [Sch. 39 paras. 11-13](#))

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## 299 Claims not included in returns

- (1) Part 4 of the Finance Act 2003 (c. 14) (stamp duty land tax) is amended as follows.
- (2) After section 82 insert—

### “82A Claims not included in returns

Schedule 11A has effect with respect to claims not included in returns.”.

- (3) After Schedule 11 insert the Schedule set out in Schedule 40 to this Act.
- (4) In section 80 (adjustment where contingency ceases or consideration is ascertained), in subsection (4) (claim for repayment), for the words from “the amount” to the end substitute—
  - “(a) the purchaser may, within the period allowed for amendment of the land transaction return, amend the return accordingly;
  - (b) after the end of that period he may (if the land transaction return is not so amended) make a claim to the Inland Revenue for repayment of the amount overpaid”.
- (5) In section 111 (claim for repayment if regulations under general power not approved) in subsection (1), for the words from “any amount” to the end substitute “ a claim may be made to the Inland Revenue for repayment of any tax, interest or penalty that would not have been payable but for the regulations ”.
- (6) In section 113 (functions conferred on “the Inland Revenue”), after subsection (3) insert—
 

“(3A) The following functions of the Inland Revenue under Schedule 11A (claims not included in returns) are functions of the Board—

  - (a) functions under paragraph 2(1) (form of claims),
  - (b) functions relating to a claim made to the Board.”.
- (7) In Schedule 10 (returns, enquiries, assessments and appeals), in paragraph 33 (relief in case of double assessment)—
  - (a) in sub-paragraph (1), for “for relief under this paragraph” substitute “ to the Inland Revenue for relief against any double charge ”;
  - (b) omit sub-paragraphs (2) and (3).
- (8) In paragraph 34 of that Schedule (relief in case of mistake in return)—
  - (a) in sub-paragraph (1), for “for relief under this paragraph” substitute “ to the Inland Revenue for relief against any excessive charge ”;
  - (b) in sub-paragraph (2), omit “by notice in writing given to the Inland Revenue”;
  - (c) omit sub-paragraph (3).

## 300 Assents and appropriations by personal representatives

- (1) In Schedule 3 to the Finance Act 2003 (c. 14) (stamp duty land tax: transactions exempt from charge), after paragraph 3 insert—



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### “Assents and appropriations by personal representatives

- 3A (1) The acquisition of property by a person in or towards satisfaction of his entitlement under or in relation to the will of a deceased person, or on the intestacy of a deceased person, is exempt from charge.
- (2) Sub-paragraph (1) does not apply if the person acquiring the property gives any consideration for it, other than the assumption of secured debt.
- (3) Where sub-paragraph (1) does not apply because of sub-paragraph (2), the chargeable consideration for the transaction is determined in accordance with paragraph 8A(1) of Schedule 4.
- (4) In this paragraph—  
“debt” means an obligation, whether certain or contingent, to pay a sum of money either immediately or at a future date, and  
“secured debt” means debt that, immediately after the death of the deceased person, is secured on the property.”
- (2) The amendment made by this section is deemed always to have had effect.

### 301 Chargeable consideration

- (1) In Schedule 3 to the Finance Act 2003 (transactions exempt from charge), in paragraph 4 (variation of testamentary dispositions etc) after sub-paragraph (2) insert—  
“(2A) Where the condition in sub-paragraph (2)(b) is not met, the chargeable consideration for the transaction is determined in accordance with paragraph 8A(2) of Schedule 4.”
- (2) Schedule 4 to that Act (stamp duty land tax: chargeable consideration) is amended as follows.
- (3) In paragraph 8 (debt as consideration), after sub-paragraph (1) insert—  
“(1A) Where—  
(a) debt is secured on the subject-matter of a land transaction immediately before and immediately after the transaction, and  
(b) the rights or liabilities in relation to that debt of any party to the transaction are changed as a result of or in connection with the transaction,  
then for the purposes of this paragraph there is an assumption of that debt by the purchaser, and that assumption of debt constitutes chargeable consideration for the transaction.
- (1B) Where in a case in which sub-paragraph (1)(b) applies—  
(a) the debt assumed is or includes debt secured on the property forming the subject-matter of the transaction, and  
(b) immediately before the transaction there were two or more persons each holding an undivided share of that property, or there are two or more such persons immediately afterwards,

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the amount of secured debt assumed shall be determined as if the amount of that debt owed by each of those persons at a given time were the proportion of it corresponding to his undivided share of the property at that time.

(1C) For the purposes of sub-paragraph (1B), in England and Wales and Northern Ireland each joint tenant of property is treated as holding an equal undivided share of it.”

(4) In sub-paragraph (2) of that paragraph, for “sub-paragraph (1)” substitute “ this paragraph ”.

(5) After paragraph 8 insert—

**8A “Cases where conditions for exemption not fully met**

(1) Where a land transaction would be exempt from charge under paragraph 3A of Schedule 3 (assents and appropriations by personal representatives) but for sub-paragraph (2) of that paragraph (cases where person acquiring property gives consideration for it), the chargeable consideration for the transaction does not include the amount of any secured debt assumed.

“Secured debt” has the same meaning as in that paragraph.

(2) Where a land transaction would be exempt from charge under paragraph 4 of Schedule 3 (variation of testamentary dispositions etc) but for a failure to meet the condition in sub-paragraph (2)(b) of that paragraph (no consideration other than variation of another disposition), the chargeable consideration for the transaction does not include the making of any such variation as is mentioned in that sub-paragraph.”

(6) The amendments made by subsections (3) and (4) apply in relation to any transaction of which the effective date (within the meaning of Part 4 of the Finance Act 2003 (c. 14)) is on or after the day on which this act is passed.

(7) The other amendments made by this section are deemed always to have had effect.

**302 Charities relief**

(1) In Schedule 8 to the Finance Act 2003 (stamp duty land tax: charities relief), after paragraph 2 insert—

**“Cases where first condition not fully met**

3 (1) This paragraph applies where—

- (a) a land transaction is not exempt from charge under paragraph 1 because the first condition in that paragraph is not met, but
- (b) the purchaser (“C”) intends to hold the greater part of the subject-matter of the transaction for qualifying charitable purposes.

(2) In such a case—

- (a) the transaction is exempt from charge, but
- (b) for the purposes of paragraph 2 (withdrawal of charities relief) “disqualifying event” includes—
  - (i) any transfer by C of a major interest in the whole or any part of the subject-matter of the transaction, or

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- (ii) any grant by C at a premium of a low-rental lease of the whole or any part of that subject-matter,  
that is not made in furtherance of the charitable purposes of C.
- (3) For the purposes of sub-paragraph (2)(b)(ii)—
- (a) a lease is granted “at a premium” if there is consideration other than rent, and
  - (b) a lease is a “low-rental” lease if the annual rent (if any) does not exceed £600 a year.
- (4) In relation to a transaction that, by virtue of this paragraph, is a disqualifying event for the purposes of paragraph 2—
- (a) the date of the event for those purposes is the effective date of the transaction;
  - (b) paragraph 2 has effect as if—
    - (i) in sub-paragraph (1)(b), for “at the time of” there were substituted “immediately before”;
    - (ii) in sub-paragraph (4)(a), for “at the time of” there were substituted “immediately before and immediately after”, and
    - (iii) sub-paragraph (4)(b) were omitted.
- (5) In this paragraph—  
“qualifying charitable purposes” has the same meaning as in paragraph 1;  
“rent” has the same meaning as in Schedule 5 (amount of tax chargeable: rent) and “annual rent” has the same meaning as in paragraph 9(2) of that Schedule.”
- (2) After paragraph 3 of that Schedule (inserted by subsection (1) above) insert—

**“Charitable trusts**

- 4 (1) This Schedule applies in relation to a charitable trust as it applies in relation to a charity.
- (2) In this paragraph “charitable trust” means—
- (a) a trust of which all the beneficiaries are charities, or
  - (b) a unit trust scheme in which all the unit holders are charities, and “charity” has the same meaning as in paragraph 1.
- (3) In this Schedule as it applies by virtue of this paragraph—
- (a) references to the purchaser in paragraphs (a) and (b) of paragraph 1(2) are to the beneficiaries or unit holders, or any of them;
  - (b) the reference to the purchaser in paragraph 2(3)(a) is to any of the beneficiaries or unit holders;
  - (c) the reference in paragraph 3(2)(b) to the charitable purposes of C is to those of the beneficiaries or unit holders, or any of them.”
- (3) In paragraph 1(1) of that Schedule, for “this paragraph” substitute “this Schedule”.

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- (4) In paragraph 2(1) of that Schedule, for “paragraph 1 (charities relief)” substitute “ this Schedule ”.
- (5) In section 81 (further return where relief withdrawn), in paragraph (c) of subsection (4) (meaning of “the disqualifying event”), after “paragraph 2(3)” insert “ or 3(2) ”.
- (6) In section 87 (interest on unpaid tax), in paragraph (c) of subsection (4) (meaning of “the disqualifying event”), after “paragraph 2(3)” insert “ or 3(2) ”.
- (7) This section applies in relation to any transaction of which the effective date (within the meaning of Part 4 of the Finance Act 2003 (c. 14)) is on or after the day on which this Act is passed.

### 303 Shared ownership leases

- (1) In Schedule 9 to the Finance Act 2003 (stamp duty land tax: right to buy, shared ownership leases etc), after paragraph 4 insert—

**“Shared ownership lease: treatment of staircasing transaction**

- 4A (1) This paragraph applies where under a shared ownership lease—
  - (a) the lessee or lessees have the right, on the payment of a sum, to require the terms of the lease to be altered so that the rent payable under it is reduced, and
  - (b) by exercising that right the lessee or lessees acquire an interest, additional to one already held, calculated by reference to the market value of the dwelling and expressed as a percentage of the dwelling or its value (a “share of the dwelling”).
- (2) Such an acquisition is exempt from charge if—
  - (a) an election was made for tax to be charged in accordance with paragraph 2 or, as the case may be, paragraph 4 and any tax chargeable in respect of the grant of the lease has been paid, or
  - (b) immediately after the acquisition the total share of the dwelling held by the lessee or lessees does not exceed 80%.
- (3) In this paragraph “shared ownership lease” means a lease granted—
  - (a) by a qualifying body, or
  - (b) in pursuance of the preserved right to buy,
 in relation to which the conditions in paragraph 2(2) or 4(2) are met.
- (4) Section 118 (meaning of “market value”) does not apply in relation to the references in this paragraph to the market value of the dwelling.”.
- (2) In sub-paragraph (1) of paragraph 5 of that Schedule (meaning of “qualifying body” and “preserved right to buy”) for “2 and 4” substitute “ 2, 4 and 4A ”.
- (3) In Schedule 19 to that Act (stamp duty land tax: commencement and transitional provisions), in paragraph 7 (earlier related transactions under stamp duty), for sub-paragraph (2) substitute—

“(2) In paragraph 3 of Schedule 9 (relief for transfer of reversion under shared ownership lease where election made for market value treatment) and paragraph 4A of that Schedule (shared ownership lease: treatment of

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staircasing transaction) as they apply in a case where the original lease was granted before the implementation date—

- (a) a reference to a lease to which paragraph 2 of that Schedule applies shall be read as a reference to a lease to which section 97 of the Finance Act 1980 applied (which made provision for stamp duty corresponding to that paragraph), and
- (b) a reference to an election having been made for tax to be charged in accordance with paragraph 2 or 4 of that Schedule shall be read as a reference to the lease having contained a statement of the parties' intention such as is mentioned in section 97(2)(d) of the Finance Act 1980 or, as the case may be, paragraph (d) of section 108(5) of the Finance Act 1981 (which made provision for stamp duty corresponding to paragraph 4).”.

(4) Subsections (1) and (2) apply in relation to an acquisition after 17th March 2004.

(5) Subsection (3) is deemed to have come into force on 1st December 2003.

#### **Commencement Information**

**I127** S. 303 wholly in force at Royal Assent; s. 303(3) in force retrospective to 1.12.2003 see s. 303(5)

### **304 Application to certain partnership transactions**

Schedule 41 to this Act (which makes provision with respect to the application of stamp duty land tax to certain transactions involving partnerships) has effect.

### **305 Liability of partners**

In paragraph 7 of Schedule 15 to the Finance Act 2003 (c. 14) (stamp duty land tax: joint and several liability of responsible partners) after sub-paragraph (1) insert—

“(1A) No amount may be recovered by virtue of sub-paragraph (1)(a) or (b) from a person who did not become a responsible partner until after the effective date of the transaction in respect of which the tax is payable.”

## **PART 7**

### **DISCLOSURE OF TAX AVOIDANCE SCHEMES**

#### **Modifications etc. (not altering text)**

**C168** Pt. 7 excluded (17.7.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 35 para. 13\(b\)](#)

### **306 Meaning of “notifiable arrangements” and “notifiable proposal”**

(1) In this Part “notifiable arrangements” means any arrangements which—

- (a) fall within any description prescribed by the Treasury by regulations,

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- (b) enable, or might be expected to enable, any person to obtain an advantage in relation to any tax that is so prescribed in relation to arrangements of that description, and
  - (c) are such that the main benefit, or one of the main benefits, that might be expected to arise from the arrangements is the obtaining of that advantage.
- (2) In this Part “notifiable proposal” means a proposal for arrangements which, if entered into, would be notifiable arrangements (whether the proposal relates to a particular person or to any person who may seek to take advantage of it).

#### Commencement Information

**1128** S. 306 wholly in force at 1.8.2004; s. 306 in force for certain purposes at Royal Assent and otherwise in force at 1.8.2004 see s. 319(1)

#### [<sup>F860</sup>306] Doubt as to notifiability

- (1) HMRC may apply to the [<sup>F861</sup>tribunal] for an order that—
  - (a) a proposal is to be treated as notifiable, or
  - (b) arrangements are to be treated as notifiable.
- (2) An application must specify—
  - (a) the proposal or arrangements in respect of which the order is sought, and
  - (b) the promoter.
- (3) On an application the [<sup>F862</sup>tribunal] may make the order only if satisfied that HMRC—
  - (a) have taken all reasonable steps to establish whether the proposal or arrangements are notifiable, and
  - (b) have reasonable grounds for suspecting that the proposal or arrangements may be notifiable.
- (4) Reasonable steps under subsection (3)(a) may (but need not) include taking action under section 313A or 313B.
- (5) Grounds for suspicion under subsection (3)(b) may include—
  - (a) the fact that the relevant arrangements fall within a description prescribed under section 306(1)(a);
  - (b) an attempt by the promoter to avoid or delay providing information or documents about the proposal or arrangements under or by virtue of section 313A or 313B;
  - (c) the promoter's failure to comply with a requirement under or by virtue of section 313A or 313B in relation to another proposal or other arrangements.
- (6) Where an order is made under this section in respect of a proposal or arrangements, the prescribed period for the purposes of section 308(1) or (3) in so far as it applies by virtue of the order—
  - (a) shall begin after a date prescribed for the purpose, and
  - (b) may be of a different length than the prescribed period for the purpose of other applications of section 308(1) or (3).

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- (7) An order under this section in relation to a proposal or arrangements is without prejudice to the possible application of section 308, other than by virtue of this section, to the proposal or arrangements.]

#### Textual Amendments

- F860** S. 306A inserted (19.7.2007) by [Finance Act 2007 \(c. 11\), s. 108\(2\)](#) (with s. 108(10))
- F861** Word in s. 306A(1) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 429](#)
- F862** Word in s. 306A(3) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 429](#)

### 307 Meaning of “promoter”

- (1) For the purposes of this Part a person is a promoter—
- (a) in relation to a notifiable proposal, if, in the course of a relevant [<sup>F863</sup>business, the person (“P”)—
- (i) is to any extent responsible for the design of the proposed arrangements,
- (ii) makes a firm approach to another person (“C”) in relation to the notifiable proposal with a view to P making the notifiable proposal available for implementation by C or any other person, or
- (iii) makes] the notifiable proposal available for implementation by other persons, and
- (b) in relation to notifiable arrangements, if he is by virtue of paragraph (a) (ii) [<sup>F864</sup>or (iii)] a promoter in relation to a notifiable proposal which is implemented by those arrangements or if, in the course of a relevant business, he is to any extent responsible for—
- (i) the design of the arrangements, or
- (ii) the organisation or management of the arrangements.

[<sup>F865</sup>(1A) For the purposes of this Part a person is an introducer in relation to a notifiable proposal if the person makes a marketing contact with another person in relation to the notifiable proposal.]

- (2) In this section “relevant business” means any trade, profession or business which—
- (a) involves the provision to other persons of services relating to taxation, or
- (b) is carried on by a bank, as defined by [<sup>F866</sup>section 1120 of the Corporation Tax Act 2010], or by a securities house, as defined by [<sup>F867</sup>section 1009(3)] of that Act.
- (3) For the purposes of this section anything done by a company is to be taken to be done in the course of a relevant business if it is done for the purposes of a relevant business falling within subsection (2)(b) carried on by another company which is a member of the same group.
- (4) Section 170 of the Taxation of Chargeable Gains Act 1992 (c. 12) has effect for determining for the purposes of subsection (3) whether two companies are members of the same group, but as if in that section—
- (a) for each of the references to a 75 per cent subsidiary there were substituted a reference to a 51 per cent subsidiary, and

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(b) subsection (3)(b) and subsections (6) to (8) were omitted.

[<sup>F868</sup>(4A) For the purposes of this Part a person makes a firm approach to another person in relation to a notifiable proposal if the person makes a marketing contact with the other person in relation to the notifiable proposal at a time when the proposed arrangements have been substantially designed.

(4B) For the purposes of this Part a person makes a marketing contact with another person in relation to a notifiable proposal if—

- (a) the person communicates information about the notifiable proposal to the other person,
- (b) the communication is made with a view to that other person, or any other person, entering into transactions forming part of the proposed arrangements, and
- (c) the information communicated includes an explanation of the advantage in relation to any tax that might be expected to be obtained from the proposed arrangements.

(4C) For the purposes of subsection (4A) proposed arrangements have been substantially designed at any time if by that time the nature of the transactions to form part of them has been sufficiently developed for it to be reasonable to believe that a person who wished to obtain the advantage mentioned in subsection (4B)(c) might enter into—

- (a) transactions of the nature developed, or
- (b) transactions not substantially different from transactions of that nature.]

(5) A person is not to be treated as a promoter [<sup>F869</sup>or introducer] for the purposes of this Part by reason of anything done in prescribed circumstances.

[<sup>F870</sup>(6) In the application of this Part to a proposal or arrangements which are not notifiable, a reference to a promoter [<sup>F871</sup>or introducer] is a reference to a person who would be a promoter [<sup>F871</sup>or introducer] under subsections (1) to (5) if the proposal or arrangements were notifiable.]

#### Textual Amendments

- F863** Words in s. 307(1)(a) substituted (1.1.2011) by [Finance Act 2010 \(c. 13\)](#), [Sch. 17 para. 2\(2\)](#); S.I. 2010/3019, art. 2
- F864** Words in s. 307(1)(b) inserted (1.1.2011) by [Finance Act 2010 \(c. 13\)](#), [Sch. 17 para. 2\(3\)](#); S.I. 2010/3019, art. 2
- F865** S. 307(1A) inserted (1.1.2011) by [Finance Act 2010 \(c. 13\)](#), [Sch. 17 para. 2\(4\)](#); S.I. 2010/3019, art. 2
- F866** Words in s. 307(2)(b) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), [Sch. 1 para. 429\(a\)](#) (with Sch. 2)
- F867** Words in s. 307(2)(b) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), [Sch. 1 para. 429\(b\)](#) (with Sch. 2)
- F868** S. 307(4A)-(4C) inserted (1.1.2011) by [Finance Act 2010 \(c. 13\)](#), [Sch. 17 para. 2\(5\)](#); S.I. 2010/3019, art. 2
- F869** Words in s. 307(5) inserted (1.1.2011) by [Finance Act 2010 \(c. 13\)](#), [Sch. 17 para. 2\(6\)](#); S.I. 2010/3019, art. 2
- F870** S. 307(6) inserted (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), s. 108(3) (with s. 108(10))
- F871** Words in s. 307(6) inserted (1.1.2011) by [Finance Act 2010 \(c. 13\)](#), [Sch. 17 para. 2\(7\)](#); S.I. 2010/3019, art. 2



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#### **Modifications etc. (not altering text)**

**C169** S. 307 applied (with modifications) (22.7.2020) by [Finance Act 2020 \(c. 14\)](#), [Sch. 13 para. 6\(3\)](#)

#### **Commencement Information**

**I129** S. 307 wholly in force at 1.8.2004; s. 307 in force for certain purposes at Royal Assent and otherwise in force at 1.8.2004 see s. 319(1)

### **308 Duties of promoter**

- (1) [<sup>F872</sup>A person who is a promoter in relation to a notifiable proposal] must, within the prescribed period after the relevant date, provide the Board with prescribed information relating to [<sup>F873</sup>the] notifiable proposal.
- (2) In subsection (1) “the relevant date” means the [<sup>F874</sup>earliest] of the following—
  - [<sup>F875</sup>(za) the date on which the promoter first makes a firm approach to another person in relation to a notifiable proposal,]
    - (a) the date on which the promoter makes [<sup>F876</sup>the] notifiable proposal available for implementation by any other person, or
    - (b) the date on which the promoter first becomes aware of any transaction forming part of notifiable arrangements implementing the notifiable proposal.
- (3) [<sup>F877</sup>A person who is a promoter in relation to notifiable arrangements] must, within the prescribed period after the date on which he first becomes aware of any transaction forming part of [<sup>F878</sup>the notifiable] arrangements, provide the Board with prescribed information relating to those arrangements, unless those arrangements implement a proposal in respect of which notice has been given under subsection (1).
- [<sup>F879</sup>(4) Subsection (4A) applies where a person complies with subsection (1) in relation to a notifiable proposal for arrangements and another person is—
  - (a) also a promoter in relation to the notifiable proposal or is a promoter in relation to a notifiable proposal for arrangements which are substantially the same as the proposed arrangements (whether they relate to the same or different parties), or
  - (b) a promoter in relation to notifiable arrangements implementing the notifiable proposal or notifiable arrangements which are substantially the same as notifiable arrangements implementing the notifiable proposal (whether they relate to the same or different parties).
- (4A) Any duty of the other person under subsection (1) or (3) in relation to the notifiable proposal or notifiable arrangements is discharged if—
  - (a) the person who complied with subsection (1) has notified the identity and address of the other person to HMRC or the other person holds the reference number allocated to the proposed notifiable arrangements under section 311, and
  - (b) the other person holds the information provided to HMRC in compliance with subsection (1).
- (4B) Subsection (4C) applies where a person complies with subsection (3) in relation to notifiable arrangements and another person is—
  - (a) a promoter in relation to a notifiable proposal for arrangements which are substantially the same as the notifiable arrangements (whether they relate to the same or different parties), or

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- (b) also a promoter in relation to the notifiable arrangements or notifiable arrangements which are substantially the same (whether they relate to the same or different parties).
- (4C) Any duty of the other person under subsection (1) or (3) in relation to the notifiable proposal or notifiable arrangements is discharged if—
- (a) the person who complied with subsection (3) has notified the identity and address of the other person to HMRC or the other person holds the reference number allocated to the notifiable arrangements under section 311, and
  - (b) the other person holds the information provided to HMRC in compliance with subsection (3).]
- (5) Where a person is a promoter in relation to two or more notifiable proposals or sets of notifiable arrangements which are substantially the same (whether they relate to the same parties or different parties), he need not provide information under subsection (1) or (3) if he has already provided information under either of those subsections in relation to any of the other proposals or arrangements.
- [<sup>F880</sup>(6) The Treasury may by regulations provide for this section to apply with modifications in relation to proposals or arrangements that—
- (a) enable, or might be expected to enable, a person to obtain an advantage in relation to stamp duty land tax, and
  - (b) are of a description specified in the regulations.]

#### Textual Amendments

- F872** Words in s. 308(1) substituted (1.11.2008 except for the purposes of Stamp Duty Land tax, 1.4.2010 in so far as not already in force) by [Finance Act 2008 \(c. 9\)](#), s. 116(2), [Sch. 38 para. 2\(2\)\(a\)](#); S.I. 2008/1935, art. 2(1) (with art. 2(2)); S.I. 2010/409, art. 2
- F873** Word in s. 308(1) substituted (1.11.2008 except for the purposes of Stamp Duty Land tax, 1.4.2010 in so far as not already in force) by [Finance Act 2008 \(c. 9\)](#), s. 116(2), [Sch. 38 para. 2\(2\)\(b\)](#); S.I. 2008/1935, art. 2(1) (with art. 2(2)); S.I. 2010/409, art. 2
- F874** Word in s. 308(2) substituted (1.1.2011) by [Finance Act 2010 \(c. 13\)](#), [Sch. 17 para. 3\(2\)](#); S.I. 2010/3019, art. 2
- F875** S. 308(2)(za) inserted (1.1.2011) by [Finance Act 2010 \(c. 13\)](#), [Sch. 17 para. 3\(3\)](#); S.I. 2010/3019, art. 2
- F876** Word in s. 308(2)(a) substituted (1.11.2008 except for the purposes of Stamp Duty Land tax, 1.4.2010 in so far as not already in force) by [Finance Act 2008 \(c. 9\)](#), s. 116(2), [Sch. 38 para. 2\(3\)](#); S.I. 2008/1935, art. 2(1) (with art. 2(2)); S.I. 2010/409, art. 2
- F877** Words in s. 308(3) substituted (1.11.2008 except for the purposes of Stamp Duty Land tax, 1.4.2010 in so far as not already in force) by [Finance Act 2008 \(c. 9\)](#), s. 116(2), [Sch. 38 para. 2\(4\)\(a\)](#); S.I. 2008/1935, art. 2(1) (with art. 2(2)); S.I. 2010/409, art. 2
- F878** Words in s. 308(3) substituted (1.11.2008 except for the purposes of Stamp Duty Land tax, 1.4.2010 in so far as not already in force) by [Finance Act 2008 \(c. 9\)](#), s. 116(2), [Sch. 38 para. 2\(4\)\(b\)](#); S.I. 2008/1935, art. 2(1) (with art. 2(2)); S.I. 2010/409, art. 2
- F879** S. 308(4)-(4C) substituted for s. 308(4) (1.11.2008 except for the purposes of Stamp Duty Land tax, 1.4.2010 in so far as not already in force) by [Finance Act 2008 \(c. 9\)](#), s. 116(2), [Sch. 38 para. 2\(5\)](#); S.I. 2008/1935, art. 2(1) (with art. 2(2)); S.I. 2010/409, art. 2
- F880** S. 308(6) inserted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), s. 215

#### Modifications etc. (not altering text)

- C170** S. 308 applied (with modifications) (1.11.2012) by [The Stamp Duty Land Tax \(Avoidance Schemes\) \(Specified Proposals or Arrangements\) Regulations 2012 \(S.I. 2012/2396\)](#), regs. 1, 5, 6

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#### Commencement Information

**I130** S. 308 wholly in force at 1.8.2004; s. 308 in force for certain purposes at Royal Assent and otherwise in force at 1.8.2004 see s. 319(1)

#### [<sup>F881</sup>308] Supplemental information

- (1) This section applies where—
  - (a) a promoter (P) has provided information in purported compliance with section 308(1) or (3), but
  - (b) HMRC believe that P has not provided all the prescribed information.
- (2) HMRC may apply to the [<sup>F882</sup>tribunal] for an order requiring P to provide specified information about, or documents relating to, the notifiable proposal or arrangements.
- (3) The [<sup>F882</sup>tribunal] may make an order under subsection (2) in respect of information or documents only if satisfied that HMRC have reasonable grounds for suspecting that the information or documents—
  - (a) form part of the prescribed information, or
  - (b) will support or explain the prescribed information.
- (4) A requirement by virtue of subsection (2) shall be treated as part of P's duty under section 308(1) or (3).
- (5) In so far as P's duty under section 308(1) or (3) arises out of a requirement by virtue of subsection (2) above, the prescribed period shall begin after a date prescribed for the purpose.
- (6) In so far as P's duty under section 308(1) or (3) arises out of a requirement by virtue of subsection (2) above, the prescribed period—
  - (a) may be of a different length than the prescribed period for the purpose of other applications of section 308(1) or (3), and
  - (b) may be extended by HMRC by direction.]

#### Textual Amendments

**F881** S. 308A inserted (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), s. 108(4) (with s. 108(10))

**F882** Word in s. 308A(2)(3) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 430](#)

#### 309 Duty of person dealing with promoter outside United Kingdom

- (1) Any person (“the client”) who enters into any transaction forming part of any notifiable arrangements in relation to which—
  - (a) a promoter is resident outside the United Kingdom, and
  - (b) no promoter is resident in the United Kingdom,must, within the prescribed period after doing so, provide the Board with prescribed information relating to the notifiable arrangements.
- (2) Compliance with section 308(1) by any promoter in relation to the notifiable arrangements discharges the duty of the client under subsection (1).

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#### Commencement Information

**I131** S. 309 wholly in force at 1.8.2004; s. 309 in force for certain purposes at Royal Assent and otherwise in force at 1.8.2004 see s. 319(1)

### 310 Duty of parties to notifiable arrangements not involving promoter

Any person who enters into any transaction forming part of notifiable arrangements as respects which neither he nor any other person in the United Kingdom is liable to comply with section 308 (duties of promoter) or section 309 (duty of person dealing with promoter outside the United Kingdom) must at the prescribed time provide the Board with prescribed information relating to the notifiable arrangements.

#### Commencement Information

**I132** S. 310 wholly in force at 1.8.2004; s. 310 in force for certain purposes at Royal Assent and otherwise in force at 1.8.2004 see s. 319(1)

### <sup>F883</sup>310A Duty to provide further information requested by HMRC

- (1) This section applies where—
  - (a) a person has provided the prescribed information about notifiable proposals or arrangements in compliance with section 308, 309 or 310, or
  - (b) a person has provided information in purported compliance with section 309 or 310 but HMRC believe that the person has not provided all the prescribed information.
- (2) HMRC may require the person to provide—
  - (a) further specified information about the notifiable proposals or arrangements (in addition to the prescribed information under section 308, 309 or 310);
  - (b) documents relating to the notifiable proposals or arrangements.
- (3) Where HMRC impose a requirement on a person under this section, the person must comply with the requirement within—
  - (a) the period of 10 working days beginning with the day on which HMRC imposed the requirement, or
  - (b) such longer period as HMRC may direct.

#### Textual Amendments

**F883** Ss. 310A, 310B inserted (17.7.2014) by [Finance Act 2014 \(c. 26\), s. 284\(2\)](#) (with [s. 284\(11\)](#))

### 310B Failure to provide information under section 310A: application to the Tribunal

- (1) This section applies where HMRC—
  - (a) have required a person to provide information or documents under section 310A, but
  - (b) believe that the person has failed to provide the information or documents required.

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- (2) HMRC may apply to the tribunal for an order requiring the person to provide the information or documents required.
- (3) The tribunal may make an order under subsection (2) only if satisfied that HMRC have reasonable grounds for suspecting that the information or documents will assist HMRC in considering the notifiable proposals or arrangements.
- (4) Where the tribunal makes an order under subsection (2), the person must comply with it within—
  - (a) the period of 10 working days beginning with the day on which the tribunal made the order, or
  - (b) such longer period as HMRC may direct.]

#### Textual Amendments

**F883** Ss. 310A, 310B inserted (17.7.2014) by [Finance Act 2014 \(c. 26\), s. 284\(2\)](#) (with [s. 284\(11\)](#))

### <sup>F884</sup> 310 Duty of promoters to provide updated information

- (1) This section applies where—
  - (a) information has been provided under section 308 about any notifiable arrangements, or proposed notifiable arrangements, to which a reference number is allocated under section 311, and
  - (b) after the provision of the information, there is a change in relation to the arrangements of a kind mentioned in subsection (2).
- (2) The changes referred to in subsection (1)(b) are—
  - (a) a change in the name by which the notifiable arrangements, or proposed notifiable arrangements, are known;
  - (b) a change in the name or address of any person who is a promoter in relation to the notifiable arrangements or, in the case of proposed notifiable arrangements, the notifiable proposal.
- (3) A person who is a promoter in relation to the notifiable arrangements or, in the case of proposed notifiable arrangements, the notifiable proposal must inform HMRC of the change mentioned in subsection (1)(b) within 30 days after it is made.
- (4) Subsections (5) and (6) apply for the purposes of subsection (3) where there is more than one person who is a promoter in relation to the notifiable arrangements or proposal.
- (5) If the change in question is a change in the name or address of a person who is a promoter in relation to the notifiable arrangements or proposal, it is the duty of that person to comply with subsection (3).
- (6) If a person provides information in compliance with subsection (3), the duty imposed by that subsection on any other person, so far as relating to the provision of that information, is discharged.]

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### Textual Amendments

**F884** S. 310C inserted (with application in accordance with Sch. 17 para. 19 of the amending Act) by [Finance Act 2015 \(c. 11\)](#), [Sch. 17 para. 1](#)

## 311 Arrangements to be given reference number

- (1) Where a person complies [<sup>F885</sup>or purports to comply] with section 308(1) or (3), 309(1) or 310 in relation to any notifiable proposal or notifiable arrangements, the Board <sup>F886</sup>...—
- (a) [<sup>F887</sup>may within [<sup>F888</sup>90 days]] allocate a reference number to the notifiable arrangements or, in the case of a notifiable proposal, to the proposed notifiable arrangements, and
  - (b) if it does so, [<sup>F889</sup>must notify that number to the person and (where the person is one who has complied or purported to comply with section 308(1) or (3)) to any other person—
    - (i) who is a promoter in relation to the notifiable proposal (or arrangements implementing the notifiable proposal) or the notifiable arrangements (or proposal implemented by the notifiable arrangements), and
    - (ii) whose identity and address has been notified to HMRC by the person.]
- (2) The allocation of a reference number to any notifiable arrangements (or proposed notifiable arrangements) is not to be regarded as constituting any indication by the Board that the arrangements could as a matter of law result in the obtaining by any person of a tax advantage.
- (3) In this Part “reference number”, in relation to any notifiable arrangements, means the reference number allocated under this section.

### Textual Amendments

**F885** Words in s. 311(1) inserted (1.11.2008 except for the purposes of Stamp Duty Land tax, 1.4.2010 in so far as not already in force) by [Finance Act 2008 \(c. 9\)](#), s. 116(2), [Sch. 38 para. 3\(a\)](#); S.I. 2008/1935, art. 2(1) (with art. 2(2)); S.I. 2010/409, art. 2

**F886** Words in s. 311(1) omitted (1.11.2008 except for the purposes of Stamp Duty Land tax, 1.4.2010 in so far as not already in force) by virtue of [Finance Act 2008 \(c. 9\)](#), s. 116(2), [Sch. 38 para. 3\(b\)](#); S.I. 2008/1935, art. 2(1) (with art. 2(2)); S.I. 2010/409, art. 2

**F887** Words in s. 311(1) inserted (1.11.2008 except for the purposes of Stamp Duty Land tax, 1.4.2010 in so far as not already in force) by [Finance Act 2008 \(c. 9\)](#), s. 116(2), [Sch. 38 para. 3\(c\)](#); S.I. 2008/1935, art. 2(1) (with art. 2(2)); S.I. 2010/409, art. 2

**F888** Words in s. 311(1)(a) substituted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 17 para. 4](#)

**F889** Words in s. 311(1) substituted (1.11.2008 except for the purposes of Stamp Duty Land tax, 1.4.2010 in so far as not already in force) by [Finance Act 2008 \(c. 9\)](#), s. 116(2), [Sch. 38 para. 3\(d\)](#); S.I. 2008/1935, art. 2(1) (with art. 2(2)); S.I. 2010/409, art. 2

### Commencement Information

**I133** S. 311 wholly in force at 1.8.2004; s. 311 in force for certain purposes at Royal Assent and otherwise in force at 1.8.2004 see s. 319(1)

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## **[<sup>F890</sup>312 Duty of promoter to notify client of number**

- (1) This section applies where a person who is a promoter in relation to notifiable arrangements is providing (or has provided) services to any person (“the client”) in connection with the notifiable arrangements.
- (2) The promoter must, within 30 days after the relevant date, provide the client with prescribed information relating to any reference number (or, if more than one, any one reference number) that has been notified to the promoter (whether by HMRC or any other person) in relation to—
  - (a) the notifiable arrangements, or
  - (b) any arrangements substantially the same as the notifiable arrangements (whether involving the same or different parties).
- (3) In subsection (2) “the relevant date” means the later of—
  - (a) the date on which the promoter becomes aware of any transaction which forms part of the notifiable arrangements, and
  - (b) the date on which the reference number is notified to the promoter.
- (4) But where the conditions in subsection (5) are met the duty imposed on the promoter under subsection (2) to provide the client with information in relation to notifiable arrangements is discharged.
- (5) Those conditions are that —
  - (a) the promoter is also a promoter in relation to a notifiable proposal and provides services to the client in connection with them both,
  - (b) the notifiable proposal and the notifiable arrangements are substantially the same, and
  - (c) the promoter has provided to the client, in a form and manner specified by HMRC, prescribed information relating to the reference number that has been notified to the promoter in relation to the proposed notifiable arrangements.
- (6) HMRC may give notice that, in relation to notifiable arrangements specified in the notice, promoters are not under the duty under subsection (2) after the date specified in the notice.

### **Textual Amendments**

**F890** Ss. 312, 312A substituted for s. 312 (1.11.2008 except for the purposes of Stamp Duty Land tax, 1.4.2010 in so far as not already in force) by [Finance Act 2008 \(c. 9\), s. 116\(2\), Sch. 38 para. 4; S.I. 2008/1935, art. 2\(1\)](#) (with [art. 2\(2\)](#)); [S.I. 2010/409, art. 2](#)

## **312A Duty of client to notify parties of number**

- (1) This section applies where a person (a “client”) to whom a person who is a promoter in relation to notifiable arrangements or a notifiable proposal is providing (or has provided) services in connection with the notifiable arrangements or notifiable proposal receives prescribed information relating to the reference number allocated to the notifiable arrangements or proposed notifiable arrangements.
- (2) The client must, within the prescribed period, provide prescribed information relating to the reference number to any other person—

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- (a) who the client might reasonably be expected to know is or is likely to be a party to the arrangements or proposed arrangements, and
- (b) who might reasonably be expected to gain a tax advantage in relation to any relevant tax by reason of the arrangements or proposed arrangements.

[<sup>F891</sup>(2A) Where the client—

- (a) is an employer, and
- (b) by reason of the arrangements or proposed arrangements, receives or might reasonably be expected to receive an advantage, in relation to any relevant tax, in relation to the employment of one or more of the client's employees,

the client must, within the prescribed period, provide to each of the client's relevant employees prescribed information relating to the reference number.]

[<sup>F892</sup>(3) For the purposes of this section—

- (a) a tax is a “relevant tax”, in relation to arrangements or arrangements proposed in a proposal of any description, if it is prescribed in relation to arrangements or proposals of that description by regulations under section 306;
- (b) “relevant employee” means an employee in relation to whose employment the client receives or might reasonably be expected to receive the advantage mentioned in subsection (2A);
- (c) “employee” includes a former employee;
- (d) a reference to employment includes holding an office (and references to “employee” and “employer” are to be construed accordingly).]

(4) HMRC may give notice that, in relation to notifiable arrangements or a notifiable proposal specified in the notice, persons are not under [<sup>F893</sup>one or both of the duties under this section] after the date specified in the notice.

(5) The duty under subsection (2) [<sup>F894</sup>or (2A)] does not apply in prescribed circumstances.]

#### Textual Amendments

**F890** Ss. 312, 312A substituted for s. 312 (1.11.2008 except for the purposes of Stamp Duty Land tax, 1.4.2010 in so far as not already in force) by Finance Act 2008 (c. 9), s. 116(2), Sch. 38 para. 4; S.I. 2008/1935, art. 2(1) (with art. 2(2)); S.I. 2010/409, art. 2

**F891** S. 312A(2A) inserted (26.3.2015) by Finance Act 2015 (c. 11), Sch. 17 para. 5(2)

**F892** S. 312A(3) substituted (26.3.2015) by Finance Act 2015 (c. 11), Sch. 17 para. 5(3)

**F893** Words in s. 312A(4) substituted (with application in accordance with Sch. 15 para. 20 of the amending Act) by Finance Act 2015 (c. 11), Sch. 17 para. 5(4)

**F894** Words in s. 312A(5) inserted (26.3.2015) by Finance Act 2015 (c. 11), Sch. 17 para. 5(5)

#### [<sup>F895</sup>312B] Duty of client to provide information to promoter

(1) This section applies where a person who is a promoter in relation to notifiable arrangements has provided a person (“the client”) with the information prescribed under section 312(2) (duty of promoter to notify client of reference number).

(2) The client must, within the prescribed period, provide the promoter with prescribed information relating to the client.

(3) The duty under subsection (2) is subject to any exceptions that may be prescribed.]



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#### Textual Amendments

**F895** S. 312B inserted (17.7.2013) by [Finance Act 2013 \(c. 29\)](#), s. 223(2)

### 313 Duty of parties to notifiable arrangements to notify Board of number, etc.

- (1) Any person who is a party to any notifiable arrangements must provide the Board with prescribed information relating to—
  - (a) any reference number notified to him <sup>F896</sup>..., and
  - (b) the time when he obtains or expects to obtain by virtue of the arrangements an advantage in relation to any relevant tax.
- (2) For the purposes of subsection (1) a tax is a “relevant tax” in relation to any notifiable arrangements if it is prescribed in relation to arrangements of that description by regulations under section 306.
- (3) Regulations [<sup>F897</sup>made by HMRC] may—
  - (a) in prescribed cases, require the [<sup>F898</sup>information prescribed under subsection (1)] to be included in any return or account which the person is required by or under any enactment to deliver to the Board, and
  - (b) in prescribed cases, require the [<sup>F899</sup>information prescribed under subsection (1) and such other information as is prescribed] to be provided separately to the Board at the prescribed time or times.
- (4) A person is not liable to a penalty under—
  - [<sup>F900</sup>(a) any provision relating to incorrect or uncorrected returns made under section 98 of the Finance Act 1986 (administration of stamp duty reserve tax),
  - (b) Schedule 24 to the Finance Act 2007 (penalties for errors), or
  - (c) any other prescribed provision,]by reason of any failure to include in any return or account any reference number or other information required by virtue of subsection (3)(a) (but see section 98C of the Taxes Management Act 1970 for the penalty for failure to comply with this section).
- [<sup>F901</sup>(5) HMRC may give notice that, in relation to notifiable arrangements specified in the notice, persons are not under the duty under subsection (1) after the date specified in the notice.]
- [<sup>F902</sup>(6) The duty under subsection (1) does not apply in prescribed circumstances.]

#### Textual Amendments

- F896** Words in s. 313(1)(a) omitted (1.11.2008 except for the purposes of Stamp Duty Land tax, 1.4.2010 in so far as not already in force) by virtue of [Finance Act 2008 \(c. 9\)](#), s. 116(2), [Sch. 38 para. 5\(2\)](#); S.I. 2008/1935, art. 2(1) (with art. 2(2)); S.I. 2010/409, art. 2
- F897** Words in s. 313(3) substituted (1.11.2008 except for the purposes of Stamp Duty Land tax, 1.4.2010 in so far as not already in force) by [Finance Act 2008 \(c. 9\)](#), s. 116(2), [Sch. 38 para. 5\(3\)\(a\)](#); S.I. 2008/1935, art. 2(1) (with art. 2(2)); S.I. 2010/409, art. 2
- F898** Words in s. 313(3)(a) substituted (1.11.2008 except for the purposes of Stamp Duty Land tax, 1.4.2010 in so far as not already in force) by [Finance Act 2008 \(c. 9\)](#), s. 116(2), [Sch. 38 para. 5\(3\)\(b\)](#); S.I. 2008/1935, art. 2(1) (with art. 2(2)); S.I. 2010/409, art. 2

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**F899** Words in s. 313(3)(b) substituted (1.11.2008 except for the purposes of Stamp Duty Land tax, 1.4.2010 in so far as not already in force) by Finance Act 2008 (c. 9), s. 116(2), **Sch. 38 para. 5(3)(c)**; S.I. 2008/1935, art. 2(1) (with art. 2(2)); S.I. 2010/409, art. 2

**F900** S. 313(4)(a)-(c) substituted for s. 313(4)(a)-(g) (1.4.2009) by The Finance Act 2008, Schedule 40 (Appointed Day, Transitional Provisions and Consequential Amendments) Order 2009 (S.I. 2009/571), art. 1(1), **Sch. 1 para. 26**

**F901** S. 313(5) inserted (1.11.2008 except for the purposes of Stamp Duty Land tax, 1.4.2010 in so far as not already in force) by Finance Act 2008 (c. 9), s. 116(2), **Sch. 38 para. 5(4)**; S.I. 2008/1935, art. 2(1) (with art. 2(2)); S.I. 2010/409, art. 2

**F902** S. 313(6) inserted (26.3.2015) by Finance Act 2015 (c. 11), **Sch. 17 para. 6**

#### Commencement Information

**I134** S. 313 wholly in force at 1.8.2004; s. 313 in force for certain purposes at Royal Assent and otherwise in force at 1.8.2004 see s. 319(1)

### [<sup>F903</sup>313ZA] **Duty to provide details of clients**

- (1) This section applies where a person who is a promoter in relation to notifiable arrangements is providing (or has provided) services to any person (“the client”) in connection with the notifiable arrangements and either—
  - (a) the promoter is subject to the reference number information requirement, or
  - (b) the promoter has failed to comply with section 308(1) or (3) in relation to the notifiable arrangements (or the notifiable proposal for them) but would be subject to the reference number information requirement if a reference number had been allocated to the notifiable arrangements.
- (2) For the purposes of this section “the reference number information requirement” is the requirement under section 312(2) to provide to the client prescribed information relating to the reference number allocated to the notifiable arrangements.
- (3) The promoter must, within the prescribed period after the end of the relevant period, provide HMRC with prescribed information in relation to the client.
- (4) In subsection (3) “the relevant period” means such period during which the promoter is or would be subject to the reference number information requirement as is prescribed.
- (5) The promoter need not comply with subsection (3) in relation to any notifiable arrangements at any time after HMRC have given notice under section 312(6) in relation to the notifiable arrangements.]

#### Textual Amendments

**F903** S. 313ZA inserted (1.1.2011) by Finance Act 2010 (c. 13), **Sch. 17 para. 6**; S.I. 2010/3019, art. 2

### [<sup>F904</sup>313ZB] **Inquiry following disclosure of client details**

- (1) This section applies where—
  - (a) a person who is a promoter in relation to notifiable arrangements has provided HMRC with information in relation to a person (“the client”) under section 313ZA(3) (duty to provide client details), and
  - (b) HMRC suspect that a person other than the client is or is likely to be a party to the arrangements.

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- (2) HMRC may by written notice require the promoter to provide prescribed information in relation to any person other than the client who the promoter might reasonably be expected to know is or is likely to be a party to the arrangements.
- (3) The promoter must comply with a requirement under or by virtue of subsection (2) within—
  - (a) the prescribed period, or
  - (b) such longer period as HMRC may direct.]

#### Textual Amendments

**F904** S. 313ZB inserted (17.7.2013) by [Finance Act 2013 \(c. 29\)](#), s. 223(3)

### **[<sup>F905</sup>313ZC] Duty of employer to notify HMRC of details of employees etc**

- (1) This section applies if conditions A, B and C are met.
- (2) Condition A is that a person who is a promoter in relation to notifiable arrangements or a notifiable proposal is providing (or has provided) services in connection with the notifiable arrangements or notifiable proposal to a person (“the client”).
- (3) Condition B is that the client receives information under section 312(2) or as mentioned in section 312(5).
- (4) Condition C is that the client is an employer in circumstances where, as a result of the notifiable arrangement or proposed notifiable arrangement—
  - (a) one or more of the client's employees receive, or might reasonably be expected to receive, in relation to their employment, an advantage in relation to any relevant tax, or
  - (b) the client receives or might reasonably be expected to receive such an advantage in relation to the employment of one or more of the client's employees.
- (5) Where an employee is within subsection (4)(a), or is an employee mentioned in subsection (4)(b), the client must provide HMRC with prescribed information relating to the employee at the prescribed time or times.
- (6) The client need not comply with subsection (5) in relation to any notifiable arrangements at any time after HMRC have given notice under section 312(6) or 313(5) in relation to the notifiable arrangements.
- (7) The duty under subsection (5) does not apply in prescribed circumstances.
- (8) Section 312A(3) applies for the purposes of this section as it applies for the purposes of that section.]

#### Textual Amendments

**F905** S. 313ZC inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 17 para. 9](#)

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### **[<sup>F906</sup>313A] Pre-disclosure enquiry**

- (1) Where HMRC suspect that a person (P) is the promoter [<sup>F907</sup>or introducer of a proposal, or the promoter of arrangements,] which may be notifiable, they may by written notice require P to state—
  - (a) whether in P's opinion the proposal or arrangements are notifiable by P, and
  - (b) if not, the reasons for P's opinion.
- (2) A notice must specify the proposal or arrangements to which it relates.
- (3) For the purpose of subsection (1)(b)—
  - (a) it is not sufficient to refer to the fact that a lawyer or other professional has given an opinion,
  - (b) the reasons must show, by reference to this Part and regulations under it, why P thinks the proposal or arrangements are not notifiable by P, and
  - (c) in particular, if P asserts that the arrangements do not fall within any description prescribed under section 306(1)(a), the reasons must provide sufficient information to enable HMRC to confirm the assertion.
- (4) P must comply with a requirement under or by virtue of subsection (1) within—
  - (a) the prescribed period, or
  - (b) such longer period as HMRC may direct.

#### **Textual Amendments**

**F906** Ss. 313A, 313B inserted (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), **s. 108(5)** (with s. 108(10))

**F907** Words in s. 313A(1) substituted (1.1.2011) by [Finance Act 2010 \(c. 13\)](#), **Sch. 17 para. 4**; [S.I. 2010/3019](#), art. 2

### **313B Reasons for non-disclosure: supporting information**

- (1) Where HMRC receive from a person (P) a statement of reasons why a proposal or arrangements are not notifiable by P, HMRC may apply to the [<sup>F908</sup>tribunal] for an order requiring P to provide specified information or documents in support of the reasons.
- (2) P must comply with a requirement under or by virtue of subsection (1) within—
  - (a) the prescribed period, or
  - (b) such longer period as HMRC may direct.
- (3) The power under subsection (1)—
  - (a) may be exercised more than once, and
  - (b) applies whether or not the statement of reasons was received under section 313A(1)(b).]

#### **Textual Amendments**

**F906** Ss. 313A, 313B inserted (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), **s. 108(5)** (with s. 108(10))

**F908** Word in s. 313B(1) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 431**

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### [<sup>F909</sup>313Q<sup>F910</sup> Provision of information to HMRC by introducers]

- [<sup>F911</sup>(1) This section applies where HMRC suspect—
- (a) that a person (“P”) is an introducer in relation to a proposal, and
  - (b) that the proposal may be notifiable.
- (1A) HMRC may by written notice require P to provide HMRC with one or both of the following—
- (a) prescribed information in relation to each person who has provided P with any information relating to the proposal;
  - (b) prescribed information in relation to each person with whom P has made a marketing contact in relation to the proposal.]
- (2) A notice must specify the proposal to which it relates.
- (3) P must comply with a requirement under [<sup>F912</sup>subsection (1A)] within—
- (a) the prescribed period, or
  - (b) such longer period as HMRC may direct.]

#### Textual Amendments

- F909** S. 313C inserted (1.1.2011) by Finance Act 2010 (c. 13), Sch. 17 para. 9; S.I. 2010/3019, art. 2
- F910** S. 313C heading substituted (26.3.2015) by Finance Act 2015 (c. 11), Sch. 17 para. 12(4)
- F911** S. 313C(1)(1A) substituted for s. 313C(1) (26.3.2015) by Finance Act 2015 (c. 11), Sch. 17 para. 12(2)
- F912** Words in s. 313C(3) substituted (26.3.2015) by Finance Act 2015 (c. 11), Sch. 17 para. 12(3)

### 314 Legal professional privilege

- (1) Nothing in this Part requires any person to disclose to the Board any privileged information.
- (2) In this Part “privileged information” means information with respect to which a claim to legal professional privilege, or, in Scotland, to confidentiality of communications, could be maintained in legal proceedings.

#### Commencement Information

- I135** S. 314 wholly in force at 1.8.2004; s. 314 in force for certain purposes at Royal Assent and otherwise in force at 1.8.2004 see s. 319(1)

### [<sup>F913</sup>314A Order to disclose

- (1) HMRC may apply to the [<sup>F914</sup>tribunal] for an order that—
- (a) a proposal is notifiable, or
  - (b) arrangements are notifiable.
- (2) An application must specify—
- (a) the proposal or arrangements in respect of which the order is sought, and
  - (b) the promoter.

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- (3) On an application the [<sup>F915</sup>tribunal] may make the order only if satisfied that section 306(1)(a) to (c) applies to the relevant arrangements.]

#### Textual Amendments

- F913** S. 314A inserted (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), s. 108(6) (with s. 108(10))
- F914** Word in s. 314A(1) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 432](#)
- F915** Word in s. 314A(3) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 432](#)

### 315 Penalties

- (1) After section 98B of the Taxes Management Act 1970 insert—

#### “98C Notification under Part 7 of Finance Act 2004

- (1) A person who fails to comply with any of the provisions of Part 7 of the Finance Act 2004 (disclosure of tax avoidance schemes) mentioned in subsection (2) below shall be liable—
- (a) to a penalty not exceeding £5,000, and
  - (b) if the failure continues after a penalty is imposed under paragraph (a) above, to a further penalty or penalties not exceeding £600 for each day on which the failure continues after the day on which the penalty under paragraph (a) was imposed (but excluding any day for which a penalty under this paragraph has already been imposed).
- (2) Those provisions are—
- (a) section 308(1) and (3) (duty of promoter in relation to notifiable proposals and notifiable arrangements),
  - (b) section 309(1) (duty of person dealing with promoter outside United Kingdom),
  - (c) section 310 (duty of parties to notifiable arrangements not involving promoter), or
  - (d) section 312(1) (duty of promoter to notify client of reference number).
- (3) A person who fails to comply with section 313(1) of the Finance Act 2004 (duties of parties to notifiable arrangements to notify Board of reference number, etc.) shall be liable to a penalty of the relevant sum.
- (4) In subsection (3) above “the relevant sum” means—
- (a) in relation to a person not falling within paragraph (b) or (c) below, £100 in respect of each scheme to which the failure relates,
  - (b) in relation to a person who has previously failed to comply with section 313(1) on one (and only one) occasion during the period of 36 months ending with the date on which the current failure to comply with that provision began, £500 in respect of each scheme to which the current failure relates (whether or not the same as the scheme to which the previous failure relates), or

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- (c) in relation to a person who has previously failed to comply with section 313(1) on two or more occasions during the period of 36 months ending with the date on which the current failure to comply with that provision began, £1,000 in respect of each scheme to which the current failure relates (whether or not the same as the schemes to which any of the previous failures relates).
- (5) In subsection (4) above “scheme” means any notifiable arrangements within the meaning of Part 7 of the Finance Act 2004.”
- (2) In section 100 of that Act (determination of penalties by officer of Board) at the end of subsection (2) (penalties to which subsection (1) of the section does not apply) insert “, or
- (f) section 98C(1)(a) above.”
- (3) In section 100C of that Act (penalty proceedings before Commissioners) after subsection (1) insert—
- “(1A) In its application to a penalty under section 98C(1)(a) above, subsection (1) above has effect with the omission of the words “General or”.”

#### Commencement Information

**I136** S. 315 wholly in force at 1.8.2004; s. 315 in force for certain purposes at Royal Assent and otherwise in force at 1.8.2004 see s. 319(1)

#### [<sup>F916</sup>316 Information to be provided in form and manner specified by HMRC

- (1) HMRC may specify the form and manner in which information required to be provided by any of the information provisions must be provided if the provision is to be complied with.
- (2) The “information provisions” are sections 308(1) and (3), 309(1), 310, [<sup>F917</sup>310A,][<sup>F918</sup>310C,] 312(2), 312A(2) [<sup>F919</sup>and (2A)] [<sup>F920</sup>, 313(1) and (3)][<sup>F921</sup>, 313ZA(3) and 313ZC(5)] .]

#### Textual Amendments

- F916** S. 316 substituted (1.11.2008 except for the purposes of Stamp Duty Land tax, 1.4.2010 in so far as not already in force) by [Finance Act 2008 \(c. 9\)](#), s. 116(2), [Sch. 38 para. 6](#); S.I. 2008/1935, art. 2(1) (with [art. 2\(2\)](#)); S.I. 2010/409, art. 2
- F917** Word in s. 316(2) inserted (17.7.2014) by [Finance Act 2014 \(c. 26\)](#), s. 284(3)
- F918** Word in s. 316(2) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 17 para. 2](#)
- F919** Words in s. 316(2) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 17 para. 7](#)
- F920** Words in s. 316 substituted (1.1.2011) by [Finance Act 2010 \(c. 13\)](#), [Sch. 17 para. 7](#); S.I. 2010/3019, art. 2
- F921** Words in s. 316(2) substituted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 17 para. 10](#)

#### [<sup>F922</sup>316A Duty to provide additional information

- (1) This section applies where a person is required to provide information under section 312(2) or 312A(2) or (2A).

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- (2) HMRC may specify additional information which must be provided by that person to the recipients under section 312(2) or 312A(2) or (2A) at the same time as the information referred to in subsection (1).
- (3) HMRC may specify the form and manner in which the additional information is to be provided.
- (4) For the purposes of this section “additional information” means information supplied by HMRC which relates to notifiable proposals or notifiable arrangements in general.]

**Textual Amendments**

**F922** S. 316A inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 17 para. 14](#)

**[<sup>F923</sup>316B Confidentiality**

No duty of confidentiality or other restriction on disclosure (however imposed) prevents the voluntary disclosure by any person to HMRC of information or documents which the person has reasonable grounds for suspecting will assist HMRC in determining whether there has been a breach of any requirement imposed by or under this Part.]

**Textual Amendments**

**F923** S. 316B inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 17 para. 16](#)

**[<sup>F924</sup>316C Publication by HMRC**

- (1) HMRC may publish information about—
  - (a) any notifiable arrangements, or proposed notifiable arrangements, to which a reference number is allocated under section 311;
  - (b) any person who is a promoter in relation to the notifiable arrangements or, in the case of proposed notifiable arrangements, the notifiable proposal.
- (2) The information that may be published is (subject to subsection (4))—
  - (a) any information relating to arrangements within subsection (1)(a), or a person within subsection (1)(b), that is prescribed information for the purposes of section 308, 309 or 310;
  - (b) any ruling of a court or tribunal relating to any such arrangements or person (in that person's capacity as a promoter in relation to a notifiable proposal or arrangements);
  - (c) the number of persons in any period who enter into transactions forming part of notifiable arrangements within subsection (1)(a);
  - (d) whether arrangements within subsection (1)(a) are APN relevant (see subsection (7));
  - (e) any other information that HMRC considers it appropriate to publish for the purpose of identifying arrangements within subsection (1)(a) or a person within subsection (1)(b).
- (3) The information may be published in any manner that HMRC considers appropriate.



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- (4) No information may be published under this section that identifies a person who enters into a transaction forming part of notifiable arrangements within subsection (1)(a).
- (5) But where a person who is a promoter within subsection (1)(b) is also a person mentioned in subsection (4), nothing in subsection (4) is to be taken as preventing the publication under this section of information so far as relating to the person's activities as a promoter.
- (6) Before publishing any information under this section that identifies a person as a promoter within subsection (1)(b), HMRC must—
  - (a) inform the person that they are considering doing so, and
  - (b) give the person reasonable opportunity to make representations about whether it should be published.
- (7) Arrangements are “APN relevant” for the purposes of subsection (2)(d) if HMRC has indicated in a publication that it may exercise (or has exercised) its power under section 219 of the Finance Act 2014 (accelerated payment notices) by virtue of the arrangements being DOTAS arrangements within the meaning of that section.

#### Textual Amendments

**F924** Ss. 316C, 316D inserted (with application in accordance with Sch. 17 para. 21 of the amending Act) by [Finance Act 2015 \(c. 11\)](#), [Sch. 17 para. 17](#)

### 316D Section 316C: subsequent judicial rulings

- (1) This section applies if—
  - (a) information about notifiable arrangements, or proposed notifiable arrangements, is published under section 316C,
  - (b) at any time after the information is published, a ruling of a court or tribunal is made in relation to tax arrangements, and
  - (c) HMRC is of the opinion that the ruling is relevant to the arrangements mentioned in paragraph (a).
- (2) A ruling is “relevant” to the arrangements if—
  - (a) the principles laid down, or reasoning given, in the ruling would, if applied to the arrangements, allow the purported advantage arising from the arrangements in relation to tax, and
  - (b) the ruling is final.
- (3) HMRC must publish information about the ruling.
- (4) The information must be published in the same manner as HMRC published the information mentioned in subsection (1)(a) (and may also be published in any other manner that HMRC considers appropriate).
- (5) A ruling is “final” if it is—
  - (a) a ruling of the Supreme Court, or
  - (b) a ruling of any other court or tribunal in circumstances where—
    - (i) no appeal may be made against the ruling,

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- (ii) if an appeal may be made against the ruling with permission, the time limit for applications has expired and either no application has been made or permission has been refused,
  - (iii) if such permission to appeal against the ruling has been granted or is not required, no appeal has been made within the time limit for appeals, or
  - (iv) if an appeal was made, it was abandoned or otherwise disposed of before it was determined by the court or tribunal to which it was addressed.
- (6) Where a ruling is final by virtue of sub-paragraph (ii), (iii) or (iv) of subsection (5) (b), the ruling is to be treated as made at the time when the sub-paragraph in question is first satisfied.
- (7) In this section “tax arrangements” means arrangements in respect of which it would be reasonable to conclude (having regard to all the circumstances) that the obtaining of an advantage in relation to tax was the main purpose, or one of the main purposes.]

#### Textual Amendments

**F924** Ss. 316C, 316D inserted (with application in accordance with Sch. 17 para. 21 of the amending Act) by Finance Act 2015 (c. 11), **Sch. 17 para. 17**

### 317 Regulations under Part 7

- (1) Any power of the Treasury or the Board to make regulations under this Part is exercisable by statutory instrument.
- (2) Regulations made by the Treasury or the Board under this Part may [<sup>F925</sup>make different provision for different cases and may] contain transitional provisions and savings.
- (3) A statutory instrument containing regulations made by the Treasury or the Board under any provision of this Part is subject to annulment in pursuance of a resolution of the House of Commons.

#### Textual Amendments

**F925** Words in s. 317(2) inserted (1.1.2011) by Finance Act 2010 (c. 13), **Sch. 17 para. 8**; S.I. 2010/3019, art. 2

### <sup>F926</sup>317A Special Commissioners: procedure

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#### Textual Amendments

**F926** S. 317A omitted (1.4.2009) by virtue of The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 (S.I. 2009/56), art. 1(2), **Sch. 1 para. 433**

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### 318 Interpretation of Part 7

(1) In this Part—

“advantage”, in relation to any tax, means—

- (a) relief or increased relief from, or repayment or increased repayment of, that tax, or the avoidance or reduction of a charge to that tax or an assessment to that tax or the avoidance of a possible assessment to that tax,
- (b) the deferral of any payment of tax or the advancement of any repayment of tax, or

(c) the avoidance of any obligation to deduct or account for any tax;

[<sup>F927</sup>“company” has the meaning given by section 1121 of the Corporation Tax Act 2010;]

“corporation tax” includes any amount which, by virtue of any of the provisions mentioned in paragraph 1 of Schedule 18 to the Finance Act 1998 (c. 36) (company tax returns, assessments and related matters) is assessable and chargeable as if it were corporation tax;

[<sup>F928</sup>“HMRC” means the Commissioners for Her Majesty's Revenue and Customs;]

[<sup>F929</sup>“introducer”, in relation to a notifiable proposal, has the meaning given by section 307;

“make a firm approach” has the meaning given by section 307(4A);

“make a marketing contact” has the meaning given by section 307(4B);]

“notifiable arrangements” has the meaning given by section 306(1);

“notifiable proposal” has the meaning given by section 306(2);

“prescribed”, except in section 306, means prescribed by regulations made by the Board;

“promoter”, in relation to notifiable arrangements or a notifiable proposal, has the meaning given by section 307;

“reference number”, in relation to notifiable arrangements, has the meaning given by section 311(3);

<sup>F930</sup> .....

“tax” means—

- (a) income tax,
- (b) capital gains tax,
- (c) corporation tax,
- (d) petroleum revenue tax,
- (da) [<sup>F931</sup>apprenticeship levy,]
- (e) inheritance tax,
- (f) stamp duty land tax, <sup>F932</sup> ...
- (g) stamp duty reserve tax [<sup>F933</sup>, or
- (h) annual tax on enveloped dwellings].

[<sup>F934</sup>“trade” includes every venture in the nature of trade.]

[<sup>F935</sup>“tribunal” means the First-tier tribunal, or where determined by or under Tribunal Procedure Rules, the Upper Tribunal.]

[<sup>F936</sup>“working day” means a day which is not a Saturday or a Sunday, Christmas Day, Good Friday or a bank holiday under the Banking and Financial Dealings Act 1971 in any part of the United Kingdom.]

<sup>F937</sup>(2) .....

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### Textual Amendments

- F927** Words in s. 318(1) inserted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), [Sch. 8 para. 302\(2\)\(a\)](#) (with [Sch. 9 paras. 1-9, 22](#))
- F928** Words in s. 318(1) inserted (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), [s. 108\(8\)\(a\)](#) (with s. 108(10))
- F929** Words in s. 318(1) inserted (1.1.2011) by [Finance Act 2010 \(c. 13\)](#), [Sch. 17 para. 5](#); [S.I. 2010/3019](#), [art. 2](#)
- F930** Words in s. 318(1) omitted (1.4.2009) by virtue of [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), [art. 1\(2\)](#), [Sch. 1 para. 434\(2\)](#)
- F931** Words in s. 318(1) inserted (15.9.2016) by [Finance Act 2016 \(c. 24\)](#), [s. 104\(1\)](#) (with s. 117)
- F932** Words in s. 318(1) omitted (17.7.2013) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 35 para. 2\(a\)](#)
- F933** Words in s. 318(1) inserted (17.7.2013) by [Finance Act 2013 \(c. 29\)](#), [Sch. 35 para. 2\(b\)](#)
- F934** Words in s. 318(1) inserted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), [Sch. 8 para. 302\(2\)\(b\)](#) (with [Sch. 9 paras. 1-9, 22](#))
- F935** Words in s. 318(1) inserted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), [art. 1\(2\)](#), [Sch. 1 para. 434\(3\)](#)
- F936** Words in s. 318(1) inserted (17.7.2014) by [Finance Act 2014 \(c. 26\)](#), [s. 284\(4\)](#)
- F937** S. 318(2) repealed (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), [Sch. 8 para. 302\(3\)](#), [Sch. 10 Pt. 13](#) (with [Sch. 9 paras. 1-9, 22](#))

## 319 Part 7: commencement and savings

- (1) The following provisions of this Part come into force on the passing of this Act—
  - sections 306 to 315, so far as is necessary for enabling the making of any regulations for which they provide, and
  - sections 317 and 318 and this section.
- (2) Except as provided by subsection (1), the provisions of this Part come into force on 1st August 2004.
- (3) Section 308 does not apply to a promoter in the case of—
  - (a) any notifiable proposal as respects which the relevant date, as defined by subsection (2) of that section, fell before 18th March 2004,
  - (b) any notifiable arrangements which implement such a proposal, or
  - (c) any notifiable arrangements which include any transaction entered into before 18th March 2004.
- (4) Sections 309 and 310 do not apply in relation to notifiable arrangements which include any transaction entered into before 23rd April 2004.
- (5) Section 313 does not apply in relation to any notifiable arrangements in respect of which, by virtue of subsection (3) or (4), none of the duties imposed by sections 308 to 310 arises.

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## PART 8

### MISCELLANEOUS MATTERS

#### **320 Exclusion of extended limitation period in England, Wales and Northern Ireland**

- (1) Section 32(1)(c) of the Limitation Act 1980 (c. 58) or, in Northern Ireland, Article 71(1)(c) of the Limitation (Northern Ireland) Order 1989 (S.I. 1989/1339 (N.I. 11)) (extended period for bringing an action in case of mistake) does not apply in relation to a mistake of law relating to a taxation matter under the care and management of the Commissioners of Inland Revenue.

This subsection has effect in relation to actions brought on or after 8th September 2003.

- (2) For the purposes of—
- (a) section 35(5)(a) of the Limitation Act 1980 or, in Northern Ireland, Article 73(4)(a) of the Limitation (Northern Ireland) Order 1989 (circumstances in which time-barred claim may be brought in course of existing action), and
  - (b) rules of court or county court rules having effect for the purposes of those provisions,

as they apply to claims in respect of mistakes of the kind mentioned in subsection (1), a new claim shall not be regarded as arising out of the same facts, or substantially the same facts, if it is brought in respect of a different payment, transaction, period or other matter.

This subsection has effect in relation to claims made on or after 20th November 2003.

- (3) If before the passing of this Act—
- (a) an action is brought in relation to which a defence of limitation would have been available if subsection (1) had been in force, or
  - (b) a claim is made on or after 20th November 2003 that by virtue of section 35(1)(b) of the Limitation Act 1980 (c. 58) or, in Northern Ireland, Article 73(1)(b) of the Limitation (Northern Ireland) Order 1989 (S.I. 1989/1339 (N.I. 11)) is treated as an action brought before 8th September 2003 and that claim would not have been allowed if subsections (1) and (2) above had been in force,

the action (or so much of it as relates to a cause of action in respect of which a defence of limitation would have been available or, as the case may be, a claim would not have been allowed) shall be deemed to be discontinued on the passing of this Act and any payment made by the Commissioners in or towards meeting their liability in the action (or so much of the action as so relates) may be recovered by them (with interest from the date of the payment).

- (4) Nothing in this section affects a claim made before 20th November 2003 that by virtue of section 35(1)(b) of the Limitation Act 1980 or, in Northern Ireland, Article 73(1)(b) of the Limitation (Northern Ireland) Order 1989 is treated as an action brought before 8th September 2003.
- (5) For the purposes of this section a claim is treated as made before 20th November 2003 if—
- (a) the Commissioners have before that date consented in writing to the making of the claim; or
  - (b) immediately before that date—

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- (i) the consent of the Commissioners has been sought and has not been refused, or
  - (ii) an application to the court for permission to make the claim has been made and has not been refused.
- (6) The provisions of this section apply to any action or claim for relief from the consequences of a mistake of law, whether expressed to be brought on the ground of mistake or on some other ground (such as unlawful demand or *ultra vires* act).
- (7) This section shall be construed as one with the Limitation Act 1980 or, in Northern Ireland, the Limitation (Northern Ireland) Order 1989.

### **321 Exclusion of extended prescriptive period in Scotland**

- (1) Section 6(4)(a)(ii) of the Prescription and Limitation (Scotland) Act 1973 (c. 52) (extinction of obligations by prescriptive period: exclusion of period during which creditor induced by error to refrain from making claim) does not apply in relation to an obligation based on redress of unjustified enrichment arising from an error of law relating to a taxation matter under the care and management of the Commissioners of Inland Revenue.
- (2) Subsection (1) has effect in relation to an obligation in respect of which no relevant claim has been made before 8th September 2003.
- (3) In the case of a relevant claim made on or after that date and before the passing of this Act relating to an obligation that would have been extinguished if subsections (1) and (2) had been in force—
- (a) proceedings on the claim (or so much of the proceedings as relates to such an obligation) shall be deemed to be discontinued on the passing of this Act, and
  - (b) any payment made by the Commissioners in or towards meeting their liability on the claim (or so much of it as so relates) may be recovered by them (with interest from the date of the payment).
- (4) The provisions of this section apply in relation to any relevant claim for redress of unjustified enrichment arising from an error of law, whether expressed to be made on the ground of error or on some other ground.
- (5) In this section “relevant claim” has the same meaning as in section 6 of the Prescription and Limitation (Scotland) Act 1973.

### **322 Mutual assistance: customs union with the Principality of Andorra**

- (1) The UK mutual assistance provisions have effect for the purposes of giving effect to the EC-Andorra Mutual Assistance Recovery Decision as they have effect for the purposes of giving effect to the Mutual Assistance Recovery Directive.
- (2) In this section—
- “the EC-Andorra Mutual Assistance Recovery Decision” means Chapter 2 of Title 1 of, and Annex 1 to, Decision No 1/2003 of the EC-Andorra Joint Committee of 3 September 2003 (on the laws, regulations and administrative provisions necessary for the proper functioning of the Customs Union between the [<sup>F938</sup>European Union] and the Principality of Andorra);
- “the Mutual Assistance Recovery Directive” has the same meaning as [<sup>F939</sup>MARD has] in the UK mutual assistance provisions;

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[<sup>F940</sup>“the UK mutual assistance provisions” means the provisions of section 87 of the Finance Act 2011 (mutual assistance for recovery of taxes etc) and Schedule 25 to that Act.]

[<sup>F941</sup>(3) In the UK mutual assistance provisions as they have effect in accordance with subsection (1)—

- (a) references (except for the one in paragraph 1 of Schedule 25) to MARD are to be read as references to the EC-Andorra Mutual Assistance Recovery Decision,
- (b) references to another member State are to be read as references to the Principality of Andorra,
- (c) references to an applicant authority of another member State are to be read as references to the competent authority of the Principality of Andorra,
- (d) references to a MARD-related instrument are to be disregarded, and
- (e) paragraph 10 of Schedule 25 (power to make further provision) is to be treated as omitted.]

(4) The powers in [<sup>F942</sup>section 87(2) of the Finance Act 2011 and paragraph 9 of Schedule 25] to that Act may be exercised so as to make provision for the purposes of giving effect to the EC-Andorra Mutual Assistance Recovery Decision (or amendments of the Decision) which is different to that made for the purposes of giving effect to the Mutual Assistance Recovery Directive (or amendments of the Directive).

#### Textual Amendments

**F938** Words in Act substituted (22.4.2011) by [The Treaty of Lisbon \(Changes in Terminology\) Order 2011 \(S.I. 2011/1043\)](#), arts. 2, 3, 4 (with art. 3(2)(3), 4(2), 6(4)(5))

**F939** Words in s. 322(2) inserted (with effect in accordance with Sch. 25 paras. 18(6), 19 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 25 para. 18\(2\)](#)

**F940** S. 322(2) substituted (with effect in accordance with Sch. 25 paras. 18(6), 19 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 25 para. 18\(3\)](#)

**F941** S. 322(3) substituted (with effect in accordance with Sch. 25 paras. 18(6), 19 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 25 para. 18\(4\)](#)

**F942** Words in s. 322(4) substituted (with effect in accordance with Sch. 25 paras. 18(6)(7), 19 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 25 para. 18\(5\)](#)

### 323 Ending of shipbuilders' relief

(1) Relief under section 2 of the Finance Act 1966 (c. 18) (relief for shipbuilders in respect of certain taxes and duties) is not available, and shall be regarded as never having been available, in any case where the contract mentioned in subsection (2) of that section is—

- (a) a contract made on or after 1st January 2001 relating to a self-propelled seagoing commercial vessel, within the meaning of the 1998 Regulation, or
- (b) in a case not falling within paragraph (a), a contract made on or after 13th January 2004.

(2) In this section “the 1998 Regulation” means Council Regulation (EC) No 1540/ 98 of 29 June 1998 establishing new rules on aid to shipbuilding (under which operating aid for shipbuilding ended on 31st December 2000).

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### **324 Government borrowing: preparations for possible adoption of Euro**

- (1) The Treasury may incur expenditure with a view to securing that they would be able to exercise their functions under sections 12 to 20A of (and Schedule 5A to) the National Loans Act 1968 (c. 13) (national debt and government accounting) if the United Kingdom were to adopt the single currency in accordance with [<sup>F943</sup>the Treaty on the Functioning of the European Union].
- (2) The Director of Savings may incur expenditure with a view to securing that he would be able to exercise his functions if the United Kingdom were to adopt the single currency in accordance with [<sup>F943</sup>the Treaty on the Functioning of the European Union].

#### **Textual Amendments**

**F943** Words in s. 324(1)(2) substituted (1.8.2012) by [The Treaty of Lisbon \(Changes in Terminology or Numbering\) Order 2012 \(S.I. 2012/1809\)](#), art. 2(1), **Sch. Pt. 1** (with art. 2(2))

### **325 Premium bonds**

Regulations under section 11 of the National Debt Act 1972 (c. 65) (power of Treasury to make regulations as to raising of money under auspices of Director of Savings) may repeal any provision contained in section 54 of, or Schedule 18 to, the Finance Act 1968 (c. 44) (terms of issue of premium savings bonds).

## **PART 9**

### **SUPPLEMENTARY PROVISIONS**

### **326 Repeals**

- (1) The enactments mentioned in Schedule 42 to this Act (which include provisions that are spent or of no practical utility) are repealed to the extent specified.
- (2) The repeals specified in that Schedule have effect subject to the commencement provisions and savings contained or referred to in the notes set out in that Schedule.

### **327 Interpretation**

In this Act “the Taxes Act 1988” means the Income and Corporation Taxes Act 1988 (c. 1).

### **328 Short title**

This Act may be cited as the Finance Act 2004.



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## SCHEDULES

### SCHEDULE 1

Section 4

#### NEW SCHEDULE 2A TO THE ALCOHOLIC LIQUOR DUTIES ACT 1979

##### Commencement Information

**I137** Sch. 1 has effect as specified by [The Finance Act 2004 \(Duty Stamps\) \(Appointed Day\) Order 2006 \(S.I. 2006/201\)](#), [art. 2](#)

The Schedule inserted before Schedule 3 to the Alcoholic Liquor Duties Act 1979 (c. 4) is as follows—

#### “SCHEDULE 2A

Section 64A

#### DUTY STAMPS

##### *Retail containers to be stamped*

- 1 (1) Retail containers of alcoholic liquors to which this Schedule applies shall be stamped—
  - (a) in such cases and circumstances, and with a duty stamp of such a type, as may be prescribed; but
  - (b) subject to such exceptions as may be prescribed.
- (2) In this Schedule “retail container”, in relation to an alcoholic liquor, means a container—
  - (a) of a capacity of 35 centilitres or more, and
  - (b) in which, or from which, the liquor is intended to be sold by retail.
- (3) This Schedule applies to the following alcoholic liquors—
  - (a) spirits;
  - (b) wine or made-wine of a strength exceeding 22 per cent.
- (4) For the purposes of this Schedule a retail container is “stamped” if—
  - (a) it carries a duty stamp of a type mentioned in sub-paragraph (5)(a) below which has been affixed to the container in a way that complies with the requirements of regulations under this Schedule, or
  - (b) it carries a label which has been so affixed to the container and the label incorporates a duty stamp of a type mentioned in sub-paragraph (5)(b) below.
- (5) In this Schedule “duty stamp” means any of the following—
  - (a) a document (a “type A stamp”) issued by or on behalf of the Commissioners which—
    - (i) is designed to be affixed to a retail container of alcoholic liquor, and
    - (ii) indicates that the appropriate duty, or an amount representing some or all of the appropriate duty, has been (or is to be) paid;

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- (b) a part of a label for a retail container of alcoholic liquor (a “type B stamp”) which—
  - (i) is incorporated in the label under the authority of the Commissioners, and
  - (ii) indicates that the appropriate duty, or an amount representing some or all of the appropriate duty, has been (or is to be) paid.
- (6) In sub-paragraph (5) above “the appropriate duty” means the duty chargeable on the quantity and description of alcoholic liquor contained, or to be contained, in the retail container to which the stamp, or the label incorporating the stamp, is, or is to be, affixed.

*Power to alter liquors, and capacity of container, to which this Schedule applies*

- 2 (1) The Treasury may by order made by statutory instrument amend paragraph (a) of paragraph 1(2) above for the purpose of varying the capacity from time to time specified in that paragraph.
- (2) The Treasury may by order made by statutory instrument amend paragraph 1(3) above for the purpose of causing this Schedule—
  - (a) to apply to any description of alcoholic liquor to which it does not apply, or
  - (b) to cease to apply to any description of alcoholic liquor to which it does apply.
- (3) A statutory instrument containing an order under this paragraph shall not be made unless a draft of the instrument has been laid before, and approved by a resolution of, the House of Commons.

*Acquisition of and payment for duty stamps*

- 3 (1) The Commissioners may by regulations make provision as to the terms and conditions on which a person may obtain—
  - (a) a type A stamp,
  - (b) authority to incorporate in a label a type B stamp,
  - (c) authority to obtain a label incorporating a type B stamp,
  - (d) authority to affix such a label to a retail container of alcoholic liquor.
- (2) Regulations under sub-paragraph (1) above may in particular make provision for or in connection with—
  - (a) requiring a person in prescribed cases or circumstances to pay, or agree to pay, the prescribed amount to the Commissioners or to a person authorised by the Commissioners for this purpose;
  - (b) requiring a person in prescribed cases or circumstances to provide to the Commissioners such security as they may require in respect of payment of the appropriate duty.
- (3) An amount prescribed for the purposes of sub-paragraph (2)(a) above must not exceed the aggregate of—
  - (a) an amount representing the appropriate duty, and
  - (b) in the case of a type A stamp, the cost of issuing the stamp.
- (4) Regulations under sub-paragraph (1) above may also in particular make provision for or in connection with requiring or enabling the Commissioners to bear, in prescribed circumstances, in the case of a type B stamp, all or part of so much of the cost of producing the label as is attributable to the incorporation in it of the stamp.

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- (5) The whole of an amount payable for a duty stamp shall be treated for the purposes of the Customs and Excise Acts 1979 as an amount due by way of excise duty.
- (6) In this paragraph “the appropriate duty” means the duty chargeable on the quantity and description of alcoholic liquor contained, or to be contained, in the retail container to which the stamp, or the label incorporating the stamp, is to be affixed.

### *Regulations*

- 4 (1) The Commissioners may by regulations make provision as to such matters relating to duty stamps as appear to them to be necessary or expedient.
- (2) Regulations under this Schedule may in particular make provision about—
  - (a) the times at which a retail container must bear a duty stamp;
  - (b) the type of duty stamp (see paragraph 1(5)) with which a retail container is to be stamped in any particular case or circumstances;
  - (c) the design and appearance of a duty stamp (including the production of a label incorporating a type B stamp);
  - (d) the information that is to appear on a duty stamp;
  - (e) the cost of issuing a type A stamp for the purposes of paragraph 3(3)(b) above;
  - (f) the procedure for obtaining—
    - (i) a type A stamp,
    - (ii) authority to incorporate in a label a type B stamp,
    - (iii) authority to obtain a label incorporating a type B stamp,
    - (iv) authority to affix such a label to a retail container of alcoholic liquor, (including provision setting periods of notice);
  - (g) where on the container a type A stamp, or a label incorporating a type B stamp, is to be affixed;
  - (h) repayment of, or credit for, in prescribed circumstances and subject to such conditions as may be prescribed, all or part of a payment made under or by virtue of this Schedule to the Commissioners or to a person authorised by the Commissioners;
  - (i) liability to forfeiture in prescribed circumstances of some or all of a payment made, or security provided, under or by virtue of this Schedule to the Commissioners or to a person authorised by the Commissioners.
- (3) Regulations under this Schedule may also, in particular, make provision for or in connection with preventing a type A stamp, or a label incorporating a type B stamp, from being used by a person other than—
  - (a) in the case of a type A stamp, the person to or for whom the stamp was issued or a person authorised by that person to affix the stamp to a retail container of alcoholic liquor,
  - (b) in the case of a type B stamp, the person to or for whom authority to obtain the label incorporating the stamp, or to affix that label to a retail container of alcoholic liquor, was given by the Commissioners.
- (4) Regulations under this Schedule may also, in particular, make provision—
  - (a) for or in connection with requiring a person who is not established, and does not have any fixed establishment, in the United Kingdom, in prescribed circumstances, to appoint another person (a “duty stamps representative”) to act on his behalf in relation to duty stamps, and

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- (b) as to the rights, obligations or liabilities of duty stamps representatives.
- (5) The Commissioners may, with a view to the protection of the revenue, make regulations for securing and collecting duty payable in accordance with this Schedule.
- (6) Regulations under this Schedule may make different provision for different cases.

*Offences of possession, sale etc of unstamped containers*

- 5 (1) Except in such cases as may be prescribed, a person commits an offence if he—
  - (a) is in possession of, transports or displays, or
  - (b) sells, offers for sale or otherwise deals in,
 unstamped retail containers containing alcoholic liquor to which this Schedule applies.
- (2) It is a defence for a person charged with an offence under this paragraph to prove that the retail containers in question were not required to be stamped.
- (3) A person who commits an offence under this paragraph is liable on summary conviction to a fine not exceeding level 5 on the standard scale.
- (4) A retail container in relation to which an offence under this paragraph is committed is liable to forfeiture (together with its contents).

*Offence of using premises for sale of liquor in or from unstamped containers*

- 6 (1) A manager of premises commits an offence if—
  - (a) he suffers the premises to be used for the sale of liquor in an unstamped retail container, or for the sale of liquor that is from an unstamped retail container; and
  - (b) the liquor is alcoholic liquor to which this Schedule applies.
- (2) It is a defence for a person charged with an offence under this paragraph to prove that the retail container in question was not required to be stamped.
- (3) A person who commits an offence under this paragraph is liable on summary conviction to a fine not exceeding level 5 on the standard scale.
- (4) Where an offence is committed under this paragraph, all unstamped retail containers of alcoholic liquor to which this Schedule applies that are on the premises at the time of the offence are liable to forfeiture (together with their contents).
- (5) For the purposes of this Schedule a person is a “manager” of premises if he—
  - (a) is entitled to control their use,
  - (b) is entrusted with their management, or
  - (c) is in charge of them.

*Alcohol sales ban following conviction for offence under paragraph 6*

- 7 (1) A court by or before which a person is convicted of an offence under paragraph 6 above may make an order prohibiting the use of the premises in question for the sale of alcoholic liquors during a period specified in the order.
- (2) The period specified in an order under this paragraph shall not exceed six months; and the first day of the period shall be the day specified as such in the order.

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- (3) If a manager of premises suffers the premises to be used in breach of an order under this paragraph, he commits an offence and is liable on summary conviction to a fine not exceeding level 5 on the standard scale.

*Penalty for altering duty stamps*

- 8 (1) This paragraph applies where a person—
- (a) alters a type A stamp, otherwise than in accordance with regulations under this Schedule, after it has been issued, or
  - (b) so alters a type B stamp after the label in which it is incorporated has been produced.
- (2) His conduct attracts a penalty under section 9 of the Finance Act 1994 (civil penalties).
- (3) The stamp, or the label in which it is incorporated, is liable to forfeiture.

*Penalty for affixing wrong, altered or forged stamps, or over-labelling*

- 9 (1) This paragraph applies where a person affixes to a retail container that is required to be stamped any of the items mentioned in sub-paragraphs (2) to (5) below.
- (2) The first is—
- (a) a type A stamp, or
  - (b) a label incorporating a type B stamp,
- if the stamp is not a correct stamp for that container in accordance with regulations under this Schedule.
- (3) The second is—
- (a) a type A stamp that has been altered, otherwise than in accordance with regulations under this Schedule, after it has been issued, or
  - (b) a label incorporating a type B stamp if the stamp has been so altered after the label has been produced.
- (4) The third is an item that purports to be, but is not,—
- (a) a type A stamp, or
  - (b) a label incorporating a type B stamp.
- (5) The fourth is any label or other item affixed in such a way as to cover up all or part of—
- (a) a type A stamp affixed to the container, or
  - (b) a type B stamp incorporated in a label affixed to the container,
- except where the label or other item is so affixed in accordance with regulations under this Schedule.
- (6) The person's conduct attracts a penalty under section 9 of the Finance Act 1994 (civil penalties).
- (7) The container is liable to forfeiture (together with its contents).

*Penalty for failing to comply with regulations*

- 10 (1) If a person fails to comply with a requirement imposed by or under regulations under this Schedule—

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- (a) his conduct attracts a penalty under section 9 of the Finance Act 1994 (civil penalties);
  - (b) any article in respect of which he fails to comply with the requirement is liable to forfeiture (including, in the case of a container, its contents).
- (2) Regulations under this Schedule may make provision as to the amount by reference to which the penalty under sub-paragraph (1)(a) above is to be calculated.

*Forfeiture of forged, altered or stolen duty stamps*

- 11 (1) The following items are liable to forfeiture.
- (2) The first is an item that purports to be, but is not,—
- (a) a type A stamp, or
  - (b) a label incorporating a type B stamp.
- (3) The second is—
- (a) a type A stamp that has been altered, otherwise than in accordance with regulations under this Schedule, after it has been issued, or
  - (b) a label incorporating a type B stamp if the stamp has been so altered after the label has been produced.
- (4) The third is—
- (a) a type A stamp, or
  - (b) a label incorporating a type B stamp,
- that is in a person’s possession unlawfully.

*Interpretation*

- 12 In this Schedule—
- “duty stamp” has the meaning given by paragraph 1(5) above;
  - “prescribed” means prescribed in regulations made by the Commissioners;
  - “retail container” has the meaning given by paragraph 1(2) above;
  - “stamped” and “unstamped” are to be read in accordance with paragraph 1(4) above;
  - “type A stamp” has the meaning given by paragraph 1(5)(a) above;
  - “type B stamp” has the meaning given by paragraph 1(5)(b) above.”.

SCHEDULE 2

Section 19

DISCLOSURE OF VALUE ADDED TAX AVOIDANCE SCHEMES

**PART 1**

PRINCIPAL AMENDMENTS OF VALUE ADDED TAX ACT 1994

- 1 After section 58 of the Value Added Tax Act 1994 (c. 23) insert—

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*“Disclosure of avoidance schemes*

**58A Disclosure of avoidance schemes**

Schedule 11A (which imposes disclosure requirements relating to the use of schemes for avoiding VAT) shall have effect.”.

**Commencement Information**

**I138** Sch. 2 para. 1 wholly in force at 1.8.2004; Sch. 2 para. 1 in force for specified purposes at Royal Assent, see s. 19(2); Sch. 2 para. 1 in force otherwise at 1.8.2004 by [S.I. 2004/1934](#), [art. 2](#)

2 After Schedule 11 to that Act insert—

“SCHEDULE  
11A

Section 58A

DISCLOSURE OF AVOIDANCE SCHEMES

*Interpretation*

- 1 In this Schedule—
- “designated scheme” has the meaning given by paragraph 3(4);
  - “notifiable scheme” has the meaning given by paragraph 5(1);
  - “scheme” includes any arrangements, transaction or series of transactions;
  - “tax advantage” is to be read in accordance with paragraph 2.

*Obtaining a tax advantage*

- 2 (1) For the purposes of this Schedule, a person obtains a tax advantage if—
- (a) in any prescribed accounting period, the amount by which the output tax accounted for by him exceeds the input tax deducted by him is less than it otherwise would be, or
  - (b) he obtains a VAT credit when he would not otherwise do so, or obtains a larger VAT credit or obtains a VAT credit earlier than would otherwise be the case.
- (2) A person also obtains a tax advantage for the purposes of this Schedule if, in a case where he recovers input tax as a recipient of a supply before the supplier accounts for the output tax, the period between the time when the input tax is recovered and the time when the output tax is accounted for is greater than would otherwise be the case.

*Designation by order of avoidance schemes*

- 3 (1) If it appears to the Treasury—
- (a) that a scheme of a particular description has been, or might be, entered into for the purpose of enabling any person to obtain a tax advantage, and

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- (b) that it is unlikely that persons would enter into a scheme of that description unless the main purpose, or one of the main purposes, of doing so was the obtaining by any person of a tax advantage,
- the Treasury may by order designate that scheme for the purposes of this paragraph.
- (2) A scheme may be designated for the purposes of this paragraph even though the Treasury are of the opinion that no scheme of that description could as a matter of law result in the obtaining by any person of a tax advantage.
- (3) The order must allocate a reference number to each scheme.
- (4) In this Schedule “designated scheme” means a scheme of a description designated for the purposes of this paragraph.

*Designation by order of provisions included  
in or associated with avoidance schemes*

- 4 (1) If it appears to the Treasury that a provision of a particular description is, or is likely to be, included in or associated with schemes that are entered into for the purpose of enabling any person to obtain a tax advantage, the Treasury may by order designate that provision for the purposes of this paragraph.
- (2) A provision may be designated under this paragraph even though it also appears to the Treasury that the provision is, or is likely to be, included in or associated with schemes that are not entered into for the purpose of obtaining a tax advantage.
- (3) In this paragraph “provision” includes any agreement, transaction, act or course of conduct.

*Meaning of “notifiable scheme”*

- 5 (1) For the purposes of this Schedule, a scheme is a “notifiable scheme” if—
- (a) it is a designated scheme, or
- (b) although it is not a designated scheme, conditions A and B below are met in relation to it.
- (2) Condition A is that the scheme includes, or is associated with, a provision of a description designated under paragraph 4.
- (3) Condition B is that the scheme has as its main purpose, or one of its main purposes, the obtaining of a tax advantage by any person.

*Duty to notify Commissioners*

- 6 (1) This paragraph applies in relation to a taxable person where—
- (a) the amount of VAT shown in a return in respect of a prescribed accounting period as payable by or to him is less than or greater than it would be but for any notifiable scheme to which he is party, or
- (b) he makes a claim for the repayment of output tax or an increase in credit for input tax in respect of any prescribed accounting period in respect of which he has previously delivered a return and the amount claimed is greater than it would be but for such a scheme.



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- (2) Where the scheme is a designated scheme, the taxable person must notify the Commissioners within the prescribed time, and in such form and manner as may be required by or under regulations, of the reference number allocated to the scheme under paragraph 3(3).
- (3) Where the scheme is not a designated scheme, the taxable person must, subject to sub-paragraph (4), provide the Commissioners within the prescribed time, and in such form and manner as may be required by or under regulations, with prescribed information relating to the scheme.
- (4) Sub-paragraph (3) does not apply where the scheme is one in respect of which any person has previously—
  - (a) provided the Commissioners with prescribed information under paragraph 9, and
  - (b) provided the taxable person with a reference number notified to him by the Commissioners under paragraph 9(2)(b).
- (5) The taxable person is not obliged to comply with sub-paragraph (2) or (3) in relation to any scheme if he has on a previous occasion complied with that sub-paragraph in relation to that scheme.
- (6) This paragraph has effect subject to paragraph 7.

*Exemptions from duty to notify under paragraph 6*

- 7 (1) Paragraph 6 does not apply to a taxable person in relation to a scheme—
  - (a) where the taxable person is not a group undertaking in relation to any other undertaking and conditions A and B below, as they have effect in relation to the scheme, are met in relation to the taxable person, or
  - (b) where the taxable person is a group undertaking in relation to any other undertaking and conditions A and B below, as they have effect in relation to the scheme, are met in relation to the taxable person and every other group undertaking.
- (2) Condition A is that the total value of the person's taxable supplies and exempt supplies in the period of twelve months ending immediately before the beginning of the relevant period is less than the minimum turnover.
- (3) Condition B is that the total value of the person's taxable supplies and exempt supplies in the prescribed accounting period immediately preceding the relevant period is less than the appropriate proportion of the minimum turnover.
- (4) In sub-paragraphs (2) and (3) "the minimum turnover" means—
  - (a) in relation to a designated scheme, £600,000, and
  - (b) in relation to any other notifiable scheme, £10,000,000.
- (5) In sub-paragraph (3) "the appropriate proportion" means the proportion which the length of the prescribed accounting period bears to twelve months.
- (6) The value of a supply of goods or services shall be determined for the purposes of this paragraph on the basis that no VAT is chargeable on the supply.

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- (7) The Treasury may by order substitute for the sum for the time being specified in sub-paragraph (4)(a) or (b) such other sum as they think fit.
- (8) This paragraph has effect subject to paragraph 8.
- (9) In this paragraph—
  - “relevant period” means the prescribed accounting period referred to in paragraph 6(1)(a) or (b);
  - “undertaking” and “group undertaking” have the same meanings as in Part 7 of the Companies Act 1985.

*Power to exclude exemption*

- 8 (1) The purpose of this paragraph is to prevent the maintenance or creation of any artificial separation of business activities carried on by two or more persons from resulting in an avoidance of the obligations imposed by paragraph 6.
- (2) In determining for the purposes of sub-paragraph (1) whether any separation of business activities is artificial, regard shall be had to the extent to which the different persons carrying on those activities are closely bound to one another by financial, economic and organisational links.
- (3) If the Commissioners make a direction under this section—
  - (a) the persons named in the direction shall be treated for the purposes of paragraph 7 as a single taxable person carrying on the activities of a business described in the direction with effect from the date of the direction or, if the direction so provides, from such later date as may be specified in the direction, and
  - (b) if paragraph 7 would not exclude the application of paragraph 6, in respect of any notifiable scheme, to that single taxable person, it shall not exclude the application of paragraph 6, in respect of that scheme, to the persons named in the direction.
- (4) The Commissioners shall not make a direction under this section naming any person unless they are satisfied—
  - (a) that he is making or has made taxable or exempt supplies,
  - (b) that the activities in the course of which he makes those supplies form only part of certain activities, the other activities being carried on concurrently or previously (or both) by one or more other persons, and
  - (c) that, if all the taxable and exempt supplies of the business described in the direction were taken into account, conditions A and B in paragraph 7(2) and (3), as those conditions have effect in relation to designated schemes, would not be met in relation to that business.
- (5) A direction under this paragraph shall be served on each of the persons named in it.
- (6) A direction under this paragraph remains in force until it is revoked or replaced by a further direction.

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*Voluntary notification of avoidance scheme that is not designated scheme*

- 9 (1) Any person may, at any time, provide the Commissioners with prescribed information relating to a scheme or proposed scheme of a particular description which is (or, if implemented, would be) a notifiable scheme by virtue of paragraph 5(1)(b).
- (2) On receiving the prescribed information, the Commissioners may—
- (a) allocate a reference number to the scheme (if they have not previously done so under this paragraph), and
  - (b) notify the person who provided the information of the number allocated.

*Penalty for failure to notify use of notifiable scheme*

- 10 (1) A person who fails to comply with paragraph 6 shall be liable, subject to sub-paragraphs (2) and (3), to a penalty of an amount determined under paragraph 11.
- (2) Conduct falling within sub-paragraph (1) shall not give rise to liability to a penalty under this paragraph if the person concerned satisfies the Commissioners or, on appeal, a tribunal that there is a reasonable excuse for the failure.
- (3) Where, by reason of conduct falling within sub-paragraph (1)—
- (a) a person is convicted of an offence (whether under this Act or otherwise), or
  - (b) a person is assessed to a penalty under section 60,
- that conduct shall not give rise to a penalty under this paragraph.

*Amount of penalty*

- 11 (1) Where the failure mentioned in paragraph 10(1) relates to a notifiable scheme that is not a designated scheme, the amount of the penalty is £5,000.
- (2) Where the failure mentioned in paragraph 10(1) relates to a designated scheme, the amount of the penalty is 15 per cent. of the VAT saving (as determined under sub-paragraph (3)).
- (3) For this purpose the VAT saving is—
- (a) to the extent that the case falls within paragraph 6(1)(a), the aggregate of—
    - (i) the amount by which the amount of VAT that would, but for the scheme, have been shown in returns in respect of the relevant periods as payable by the taxable person exceeds the amount of VAT that was shown in those returns as payable by him, and
    - (ii) the amount by which the amount of VAT that was shown in such returns as payable to the taxable person exceeds the amount of VAT that would, but for the scheme, have been shown in those returns as payable to him, and

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- (b) to the extent that the case falls within paragraph 6(1)(b), the amount by which the amount claimed exceeds the amount which the taxable person would, but for the scheme, have claimed.
- (4) In sub-paragraph (3)(a) “the relevant periods” means the prescribed accounting periods beginning with that in respect of which the duty to comply with paragraph 6 first arose and ending with the earlier of the following—
  - (a) the prescribed accounting period in which the taxable person complied with that paragraph, and
  - (b) the prescribed accounting period immediately preceding the notification by the Commissioners of the penalty assessment.

#### *Penalty assessments*

- 12 (1) Where any person is liable under paragraph 10 to a penalty of an amount determined under paragraph 11, the Commissioners may, subject to sub-paragraph (3), assess the amount due by way of penalty and notify it to him accordingly.
- (2) The fact that any conduct giving rise to a penalty under paragraph 10 may have ceased before an assessment is made under this paragraph shall not affect the power of the Commissioners to make such an assessment.
- (3) In a case where the penalty falls to be calculated by reference to the VAT saving as determined under paragraph 11(3) and the VAT that would, but for the scheme, have been shown in returns as payable by or to the taxable person cannot be readily attributed to any one or more prescribed accounting periods, it shall be treated for the purposes of this Schedule as VAT that would, but for the scheme, have been shown as payable by or to the taxable person in returns for such period or periods as the Commissioners may determine to the best of their judgment and notify to the person liable for the penalty.
- (4) No assessment to a penalty under this paragraph shall be made more than two years from the time when facts sufficient, in the opinion of the Commissioners, to indicate that there has been a failure to comply with paragraph 6 in relation to a notifiable scheme came to the Commissioners' knowledge.
- (5) Where the Commissioners notify a person of a penalty in accordance with sub-paragraph (1), the notice of assessment shall specify—
  - (a) the amount of the penalty,
  - (b) the reasons for the imposition of the penalty,
  - (c) how the penalty has been calculated, and
  - (d) any reduction of the penalty in accordance with section 70.
- (6) Where a person is assessed under this paragraph to an amount due by way of penalty and is also assessed under section 73(1), (2), (7), (7A) or (7B) for any of the prescribed accounting periods to which the assessment under this paragraph relates, the assessments may be combined and notified to him as one assessment, but the amount of the penalty shall be separately identified in the notice.

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- (7) If an amount is assessed and notified to any person under this paragraph, then unless, or except to the extent that, the assessment is withdrawn or reduced, that amount shall be recoverable as if it were VAT due from him.
- (8) Subsection (10) of section 76 (notification to certain persons acting for others) applies for the purposes of this paragraph as it applies for the purposes of that section.

#### *Penalty assessments*

- 13 Regulations under this Schedule—
- (a) may make different provision for different circumstances, and
  - (b) may include transitional provisions or savings.”.

#### **Commencement Information**

**I139** Sch. 2 para. 2 wholly in force at 1.8.2004; Sch. 2 para. 2 in force for specified purposes at Royal Assent, see s. 19(2); Sch. 2 para. 2 in force otherwise at 1.8.2004 by [S.I. 2004/1934](#), [art. 2](#)

## **PART 2**

### CONSEQUENTIAL AMENDMENTS

- 3 In section 70 of the Value Added Tax Act 1994 (c. 23) (mitigation of penalties), in subsection (1) after “69A” insert “ or under paragraph 10 of Schedule 11A ”.

#### **Commencement Information**

**I140** Sch. 2 para. 3 wholly in force at 1.8.2004; Sch. 2 para. 3 in force for specified purposes at Royal Assent, see s. 19(2); Sch. 2 para. 3 in force otherwise at 1.8.2004 by [S.I. 2004/1934](#), [art. 2](#)

- 4 In section 83 of that Act (appeals) after paragraph (z) insert—
- “(za) a direction under paragraph 8 of Schedule 11A,
  - (zb) any liability to a penalty under paragraph 10(1) of Schedule 11A, any assessment under paragraph 12(1) of that Schedule or the amount of such an assessment;”.

#### **Commencement Information**

**I141** Sch. 2 para. 4 wholly in force at 1.8.2004; Sch. 2 para. 4 in force for specified purposes at Royal Assent, see s. 19(2); Sch. 2 para. 4 in force otherwise at 1.8.2004 by [S.I. 2004/1934](#), [art. 2](#)

- 5 (1) Section 84 of that Act (further provisions relating to appeals) is amended as follows.
- (2) In subsection (3), for “or (ra)” substitute “, (ra) or (zb) ”.
- (3) After subsection (6) insert—
- “(6A) Without prejudice to section 70, nothing in section 83(zb) shall be taken to confer on a tribunal any power to vary an amount assessed by way of

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penalty except in so far as it is necessary to reduce it to the amount which is appropriate under paragraph 11 of Schedule 11A.”.

**Commencement Information**

**I142** Sch. 2 para. 5 wholly in force at 1.8.2004; Sch. 2 para. 5 in force for specified purposes at Royal Assent, see s. 19(2); Sch. 2 para. 5 in force otherwise at 1.8.2004 by [S.I. 2004/1934](#), [art. 2](#)

6 In section 97 of that Act (orders, rules and regulations) in subsection (4) (which lists powers exercisable subject to affirmative procedure in the House of Commons) after paragraph (f) insert—  
“(g) an order under paragraph 3 or 4 of Schedule 11A.”.

**Commencement Information**

**I143** Sch. 2 para. 6 wholly in force at 1.8.2004; Sch. 2 para. 6 in force for specified purposes at Royal Assent, see s. 19(2); Sch. 2 para. 6 in force otherwise at 1.8.2004 by [S.I. 2004/1934](#), [art. 2](#)

F944 SCHEDULE 3

Section 28

**Textual Amendments**

**F944** Sch. 3 repealed (with effect in accordance with Sch. 26 Pt. 3(1) Note of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 26 Pt. 3\(1\)](#)

SCHEDULE 4

Section 29

AMENDMENTS RELATING TO THE RATE APPLICABLE TO TRUSTS

*Sums paid to settlor otherwise than as income*

F945<sub>1</sub> .....

**Textual Amendments**

**F945** Sch. 4 para. 1 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with [Sch. 2](#))

*Trustees chargeable to income tax at 30 per cent in certain cases*

F946<sub>2</sub> .....

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**Textual Amendments**

**F946** Sch. 4 para. 2 repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), **Sch. 3 Pt. 1** (with [Sch. 2](#))

*Commencement*

**F947**<sub>3</sub> .....

**Textual Amendments**

**F947** Sch. 4 para. 3 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), **Sch. 3** (with [Sch. 2](#))

SCHEDULE 5

Section 30

PROVISION NOT AT ARM'S LENGTH: RELATED AMENDMENTS

*Taxes Management Act 1970*

*Notice of enquiry*

- 1 (1) Section 9A of the Taxes Management Act 1970 (c. 9) is amended as follows.
- (2) For subsection (4) (scope of inquiry) substitute—
  - “(4) An enquiry extends to—
    - (a) anything contained in the return, or required to be contained in the return, including any claim or election included in the return,
    - (b) consideration of whether to give the taxpayer a transfer pricing notice under paragraph 5C of Schedule 28AA to the principal Act (provision not at arm's length: medium-sized enterprise),but this is subject to the following limitation.”.

*Income and Corporation Taxes Act 1988*

**F948**<sub>2</sub> .....

**Textual Amendments**

**F948** Sch. 5 para. 2 repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), **Sch. 3 Pt. 1** (with [Sch. 2 Pts. 1, 2](#))

*Petroleum extraction activities: ring fence trade: charges on income*

- 3 (1) Section 494 of the Taxes Act 1988 (charges on income) is amended as follows.
- (2) In subsection (2) (which restricts the loan relationship debits that may be brought into account in a manner resulting in reduction of ring fence profits)—
  - F949**(a) .....

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- (b) omit paragraph (d) (which imposes a restriction by reference to a reasonable commercial rate of return and is superseded by the application of paragraphs 1A and 1B of Schedule 28AA to the Taxes Act 1988 by virtue of paragraph 11 of that Schedule);
  - (c) omit the third sentence (which defines “net debit” for the purposes of paragraph (d)).
- (3) Omit subsection (2B) (which relates to the net debit within the meaning of subsection (2)(d)).

**Textual Amendments**

**F949** Sch. 5 para. 3(2)(a) repealed (with effect in accordance with s. 1184(1) of the amending Act) by Corporation Tax Act 2010 (c. 4), s. 1184(1), **Sch. 3 Pt. 1** (with Sch. 2)

*Assumptions for calculating chargeable profits etc: transfer pricing*

4 In Schedule 24 to the Taxes Act 1988, paragraph 20 shall cease to have effect.

*Finance Act 1996*

*Loan relationships: introductory*

**F950**<sup>5</sup> .....

**Textual Amendments**

**F950** Sch. 5 paras. 5-8 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

*Transactions not at arm's length*

**F950**<sup>6</sup> .....

**Textual Amendments**

**F950** Sch. 5 paras. 5-8 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

*Continuity of treatment: groups etc.*

**F950**<sup>7</sup> .....

**Textual Amendments**

**F950** Sch. 5 paras. 5-8 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

*Amounts imputed under Schedule 28AA to the Taxes Act 1988*

**F950**<sup>8</sup> .....



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**Textual Amendments**

**F950** Sch. 5 paras. 5-8 repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

*Finance Act 1998*

*Introductory*

9 The Finance Act 1998 (c. 36) is amended as follows.

*Scope of enquiry*

10 (1) In Schedule 18 (company tax returns, assessments and related matters) paragraph 25 is amended as follows.

(2) In sub-paragraph (1), for the words following paragraph (b) substitute— “ and also extends to consideration of whether to give the company a transfer pricing notice under paragraph 5C of Schedule 28AA to the Taxes Act 1988 (provision not at arm's length: medium-sized enterprise). But this is subject to the following limitation. ”.

*Finance Act 2000*

*Introductory: tonnage tax: transactions not at arm's length*

**F951**<sup>11</sup> .....

**Textual Amendments**

**F951** Sch. 5 paras. 11-13 repealed (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), **Sch. 10 Pt. 2** (with Sch. 9 paras. 1-9, 22)

*Transactions between tonnage tax company and another person*

**F951**<sup>12</sup> .....

**Textual Amendments**

**F951** Sch. 5 paras. 11-13 repealed (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), **Sch. 10 Pt. 2** (with Sch. 9 paras. 1-9, 22)

*Transactions between tonnage tax trade and other activities of same company*

**F951**<sup>13</sup> .....

**Textual Amendments**

**F951** Sch. 5 paras. 11-13 repealed (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), **Sch. 10 Pt. 2** (with Sch. 9 paras. 1-9, 22)

*Finance Act 2002*

**F952**<sup>14</sup> .....

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**Textual Amendments**

**F952** Sch. 5 paras. 14-16 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

**F952**<sup>15</sup> .....

**Textual Amendments**

**F952** Sch. 5 paras. 14-16 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

**F952**<sup>16</sup> .....

**Textual Amendments**

**F952** Sch. 5 paras. 14-16 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

**F953** SCHEDULE 6

Section 41

**Textual Amendments**

**F953** Sch. 6 omitted (17.7.2012) by virtue of Finance Act 2012 (c. 14), **Sch. 16 para. 247(l)(iii)**

SCHEDULE 7

Section 47

INSURANCE COMPANIES ETC

*Transfers of business*

**F954**<sup>1</sup> .....

**Textual Amendments**

**F954** Sch. 7 para. 1 repealed (19.2.2008) (with effect in accordance with art. 1(2) of the amending S.I.) by The Insurance Business Transfer Schemes (Amendment of the Corporation Tax Acts) Order 2008 (S.I. 2008/381), art. 1(1), **Sch. Pt. 1**

**F955**<sup>2</sup> .....

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**Textual Amendments**

**F955** Sch. 7 paras. 2-4 repealed (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), **Sch. 27 Pt. 2(9)**

F955<sup>3</sup> .....

**Textual Amendments**

**F955** Sch. 7 paras. 2-4 repealed (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), **Sch. 27 Pt. 2(9)**

F955<sup>4</sup> .....

**Textual Amendments**

**F955** Sch. 7 paras. 2-4 repealed (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), **Sch. 27 Pt. 2(9)**

F956<sup>5</sup> .....

**Textual Amendments**

**F956** Sch. 7 para. 5 omitted (17.7.2012) by virtue of [Finance Act 2012 \(c. 14\)](#), **Sch. 16 para. 247(I)(iv)**

*Chargeable gains*

- 6 (1) In section 210A(10) of the Taxation of Chargeable Gains Act 1992 (c. 12) (ring-fencing of losses: policy holders' share of chargeable gains or losses), in paragraph (b) (case where policy holders' share of relevant profits does not exceed BLAGAB profits), for “of the company for the accounting period bears to those relevant profits” substitute “ for the accounting period bears to those BLAGAB profits ”.
- (2) Sub-paragraph (1) has effect in relation to accounting periods beginning on or after 17th March 2004.

*Double taxation*

F957<sup>7</sup> .....

**Textual Amendments**

**F957** Sch. 7 para. 7 repealed (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), **Sch. 10 Pt. 1** (with Sch. 9 paras. 1-9, 22)

*Meaning of “referable”*

F958<sup>8</sup> .....

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**Textual Amendments**

**F958** Sch. 7 para. 8 omitted (17.7.2012) by virtue of [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 247\(1\)\(iv\)](#)

9 <sup>F959</sup>(1) .....

<sup>F960</sup>(2) .....

- (3) In the following provisions of the Taxation of Chargeable Gains Act 1992 (c. 12)—
- (a) the definitions of “BLAGAB allowable losses” and “BLAGAB chargeable gains” in section 210A(13) (ring-fencing of losses),
  - (b) section 211ZA(10) (transfers of business: transfer of unused losses), and
  - (c) section 213(1A)(a) (spreading of gains and losses under section 212), after “referable” insert “ (in accordance with section 432A of the Taxes Act) ”.

**Textual Amendments**

**F959** Sch. 7 para. 9(1) repealed (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 27 Pt. 2\(7\)](#)

**F960** Sch. 7 para. 9(2) omitted (17.7.2012) by virtue of [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 247\(1\)\(iv\)](#)

<sup>F961</sup>SCHEDULE 8

Section 48

**Textual Amendments**

**F961** Sch. 8 repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 3 Pt. 1](#) (with Sch. 2 Pts. 1, 2)

<sup>F962</sup>SCHEDULE 9

Section 49

**Textual Amendments**

**F962** Sch. 9 repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 3 Pt. 1](#) (with Sch. 2 Pts. 1, 2)

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SCHEDULE 10

Section 52

AMENDMENT OF ENACTMENTS THAT OPERATE BY REFERENCE TO ACCOUNTING PRACTICE

PART 1

LOAN RELATIONSHIPS

*Main computational provisions*

F963<sub>1</sub> .....

**Textual Amendments**

**F963** Sch. 10 paras. 1-4 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

F963<sub>2</sub> .....

**Textual Amendments**

**F963** Sch. 10 paras. 1-4 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

F963<sub>3</sub> .....

**Textual Amendments**

**F963** Sch. 10 paras. 1-4 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

F963<sub>4</sub> .....

**Textual Amendments**

**F963** Sch. 10 paras. 1-4 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

5 In section 88 of that Act (exemption from section 87 in certain cases), omit subsection (2)(b) and subsection (3)(b).

F964<sub>6</sub> .....

**Textual Amendments**

**F964** Sch. 10 para. 6 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

7 Omit section 90 of that Act (changes of accounting method).

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F965 8 .....

**Textual Amendments**  
**F965** Sch. 10 para. 8 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

9 <sup>F966</sup>(1) .....

- (2) Where at the relevant time a company holds an asset to which section 92 applies—
  - (a) section 92(7) (deemed disposal and re-acquisition) shall have effect as if the asset had ceased at that time to be an asset to which that section applied (but without ceasing to represent a creditor relationship of the company), and
  - (b) any amount falling to be brought into account under the Taxation of Chargeable Gains Act 1992 (c. 12) shall be brought into account in accordance with section 92(4) accordingly.
- (3) The relevant time for this purpose is immediately before the end of the last period of account before that in relation to which sub-paragraph (1) has effect (see section 52(3) of this Act).

**Textual Amendments**  
**F966** Sch. 10 para. 9(1) repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

10 Omit section 92A of that Act (convertible securities etc.: debtor relationships).

- 11 (1) Omit sections 93, 93A and 93B of that Act (relationships linked to the value of chargeable assets).
- (2) Where at the relevant time a company holds an asset to which section 93 applies—
  - (a) section 93B (deemed disposal and re-acquisition) shall have effect as if the asset had ceased at that time to be an asset to which section 93 applied (but without ceasing to represent a creditor relationship of the company), and
  - (b) any amount falling to be brought into account under the Taxation of Chargeable Gains Act 1992 (c. 12) shall be brought into account in accordance with section 93(4) accordingly.
- (3) The relevant time for this purpose is immediately before the end of the last period of account before that in relation to which sub-paragraph (1) has effect (see section 52(3) of this Act).

F967 12 .....

**Textual Amendments**  
**F967** Sch. 10 para. 12 repealed (7.4.2005) by Finance Act 2005 (c. 7), **Sch. 11 Pt. 2(7)**

F968 13 .....

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**Textual Amendments**

**F968** Sch. 10 para. 13 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

<sup>F969</sup>14 .....

**Textual Amendments**

**F969** Sch. 10 para. 14 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

15 In section 96 of that Act (special rules for certain other gilts), omit subsection (3).

<sup>F970</sup>16 .....

**Textual Amendments**

**F970** Sch. 10 para. 16 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

<sup>F971</sup>17 .....

**Textual Amendments**

**F971** Sch. 10 para. 17 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

*Special computational provisions*

18 Schedule 9 to the Finance Act 1996 (c. 8) (loan relationships: special computational provisions) is amended as follows.

<sup>F972</sup>19 .....

**Textual Amendments**

**F972** Sch. 10 paras. 19-23 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

<sup>F972</sup>20 .....

**Textual Amendments**

**F972** Sch. 10 paras. 19-23 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

<sup>F972</sup>21 .....

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**Textual Amendments**

**F972** Sch. 10 paras. 19-23 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

**F972**<sup>22</sup> .....

**Textual Amendments**

**F972** Sch. 10 paras. 19-23 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

**F972**<sup>23</sup> .....

**Textual Amendments**

**F972** Sch. 10 paras. 19-23 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

**F973**<sup>24</sup> .....

**Textual Amendments**

**F973** Sch. 10 para. 24 repealed (7.4.2005) by Finance Act 2005 (c. 7), **Sch. 11 Pt. 2(5)**

**F974**<sup>25</sup> .....

**Textual Amendments**

**F974** Sch. 10 para. 25 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

**F975**<sup>26</sup> .....

**Textual Amendments**

**F975** Sch. 10 para. 26 repealed (7.4.2005) by Finance Act 2005 (c. 7), **Sch. 11 Pt. 2(5)**

**F976**<sup>27</sup> .....

**Textual Amendments**

**F976** Sch. 10 para. 27 repealed (7.4.2005) by Finance Act 2005 (c. 7), **Sch. 11 Pt. 2(5)**

**F977**<sup>28</sup> .....



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**Textual Amendments**

**F977** Sch. 10 para. 28 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

29 In paragraph 10A (deemed disposal on company ceasing to be resident in UK etc.), omit sub-paragraph (5).

**F978**<sup>30</sup> .....

**Textual Amendments**

**F978** Sch. 10 paras. 30-42 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

**F978**<sup>31</sup> .....

**Textual Amendments**

**F978** Sch. 10 paras. 30-42 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

**F978**<sup>32</sup> .....

**Textual Amendments**

**F978** Sch. 10 paras. 30-42 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

**F978**<sup>33</sup> .....

**Textual Amendments**

**F978** Sch. 10 paras. 30-42 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

**F978**<sup>34</sup> .....

**Textual Amendments**

**F978** Sch. 10 paras. 30-42 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

**F978**<sup>35</sup> .....

**Textual Amendments**

**F978** Sch. 10 paras. 30-42 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

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F978<sup>36</sup> .....

**Textual Amendments**

**F978** Sch. 10 paras. 30-42 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

*Collective investment schemes etc.*

F978<sup>37</sup> .....

**Textual Amendments**

**F978** Sch. 10 paras. 30-42 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

F978<sup>38</sup> .....

**Textual Amendments**

**F978** Sch. 10 paras. 30-42 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

F978<sup>39</sup> .....

**Textual Amendments**

**F978** Sch. 10 paras. 30-42 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

F978<sup>40</sup> .....

**Textual Amendments**

**F978** Sch. 10 paras. 30-42 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

F978<sup>41</sup> .....

**Textual Amendments**

**F978** Sch. 10 paras. 30-42 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

F978<sup>42</sup> .....

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**Textual Amendments**

**F978** Sch. 10 paras. 30-42 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

*Consequential amendments*

**F979** 43 .....

**Textual Amendments**

**F979** Sch. 10 para. 43 repealed (19.7.2007) by Finance Act 2007 (c. 11), **Sch. 27 Pt. 2(10)**

**F980** 44 .....

**Textual Amendments**

**F980** Sch. 10 para. 44 repealed (19.7.2007) by Finance Act 2007 (c. 11), **Sch. 27 Pt. 2(14)**

**F981** 45 .....

**Textual Amendments**

**F981** Sch. 10 para. 45 repealed (with effect in accordance with s. 1184(1) of the amending Act) by Corporation Tax Act 2010 (c. 4), s. 1184(1), **Sch. 3 Pt. 1** (with Sch. 2)

46 In paragraph 7(3) of Schedule 26 to the Transport Act 2000 (c. 38) (transfers under that Act), for “an authorised accounting method” substitute “a basis of accounting”.

**PART 2**

DERIVATIVE CONTRACTS

*Method of taxation*

**F982** 47 .....

**Textual Amendments**

**F982** Sch. 10 paras. 47-69 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

**F982** 48 .....

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**Textual Amendments**

**F982** Sch. 10 paras. 47-69 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

*Accounting methods*

**F982** 49 .....

**Textual Amendments**

**F982** Sch. 10 paras. 47-69 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

**F982** 50 .....

**Textual Amendments**

**F982** Sch. 10 paras. 47-69 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

**F982** 51 .....

**Textual Amendments**

**F982** Sch. 10 paras. 47-69 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

*Special provision for bad debt etc.*

**F982** 52 .....

**Textual Amendments**

**F982** Sch. 10 paras. 47-69 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

**F982** 53 .....

**Textual Amendments**

**F982** Sch. 10 paras. 47-69 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

*Special computational provisions*

**F982** 54 .....

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**Textual Amendments**

**F982** Sch. 10 paras. 47-69 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

**F982**55 .....

**Textual Amendments**

**F982** Sch. 10 paras. 47-69 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

**F982**56 .....

**Textual Amendments**

**F982** Sch. 10 paras. 47-69 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

**F982**57 .....

**Textual Amendments**

**F982** Sch. 10 paras. 47-69 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

**F982**58 .....

**Textual Amendments**

**F982** Sch. 10 paras. 47-69 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

*Collective investment schemes*

**F982**59 .....

**Textual Amendments**

**F982** Sch. 10 paras. 47-69 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

**F982**60 .....

**Textual Amendments**

**F982** Sch. 10 paras. 47-69 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

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F982 61 .....

**Textual Amendments**  
F982 Sch. 10 paras. 47-69 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

F982 62 .....

**Textual Amendments**  
F982 Sch. 10 paras. 47-69 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

F982 63 .....

**Textual Amendments**  
F982 Sch. 10 paras. 47-69 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

*Miscellaneous*

F982 64 .....

**Textual Amendments**  
F982 Sch. 10 paras. 47-69 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

F982 65 .....

**Textual Amendments**  
F982 Sch. 10 paras. 47-69 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

F982 66 .....

**Textual Amendments**  
F982 Sch. 10 paras. 47-69 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

F982 67 .....

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**Textual Amendments**

**F982** Sch. 10 paras. 47-69 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

*Interpretation*

**F982** 68 .....

**Textual Amendments**

**F982** Sch. 10 paras. 47-69 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

**F982** 69 .....

**Textual Amendments**

**F982** Sch. 10 paras. 47-69 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

*Consequential amendment*

**F983** 70 .....

**Textual Amendments**

**F983** Sch. 10 para. 70 repealed (19.7.2007) by Finance Act 2007 (c. 11), **Sch. 27 Pt. 2(10)**

**PART 3**

**INTANGIBLE FIXED ASSETS**

*Excluded assets: assets in respect of which capital allowances previously made*

**F984** 71 .....

**Textual Amendments**

**F984** Sch. 10 para. 71 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

*Adjustment on change of accounting policy*

**F985** 72 .....

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**Textual Amendments**

**F985** Sch. 10 para. 72 repealed (7.4.2005) by [Finance Act 2005 \(c. 7\)](#), **Sch. 11 Pt. 2(7)**

*References to amounts recognised in profit and loss account*

**F986**73 .....

**Textual Amendments**

**F986** Sch. 10 para. 73 repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

*Consequential amendments*

**F987**74 .....

**Textual Amendments**

**F987** Sch. 10 paras. 74-76 repealed (7.4.2005) by [Finance Act 2005 \(c. 7\)](#), **Sch. 11 Pt. 2(7)**

**F987**75 .....

**Textual Amendments**

**F987** Sch. 10 paras. 74-76 repealed (7.4.2005) by [Finance Act 2005 \(c. 7\)](#), **Sch. 11 Pt. 2(7)**

**F987**76 .....

**Textual Amendments**

**F987** Sch. 10 paras. 74-76 repealed (7.4.2005) by [Finance Act 2005 \(c. 7\)](#), **Sch. 11 Pt. 2(7)**

**PART 4**

FOREIGN CURRENCY ACCOUNTING

*Main provisions*

**F988**77 .....

**Textual Amendments**

**F988** Sch. 10 para. 77 repealed (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), **Sch. 3 Pt. 1** (with Sch. 2)



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### Consequential amendments

F989 78 .....

#### Textual Amendments

F989 Sch. 10 para. 78 repealed (19.7.2007) by Finance Act 2007 (c. 11), Sch. 27 Pt. 2(14)

### [F990] Transitional provision

#### Textual Amendments

F990 Sch. 10 para. 79 and cross-heading inserted (7.4.2005) by Finance Act 2005 (c. 7), Sch. 4 para. 51

- 79 Where a company carries forward to its first period of account beginning on or after 1st January 2005 an amount by way of—
- (a) management expenses brought forward under section 75 of the Taxes Act 1988,
  - (b) losses brought forward under section 392B or 393 of that Act, or
  - (c) non-trading deficits on loan relationships brought forward under section 83 of the Finance Act 1996,
- that amount shall be translated into sterling using the London closing exchange rate for the last day of the previous period of account.]

## SCHEDULE 11

Section 64

### CONDITIONS FOR REGISTRATION FOR GROSS PAYMENT

#### PART 1

##### CONDITIONS TO BE SATISFIED BY INDIVIDUALS

###### *General*

- 1 (1) In the case of an application for an individual to be registered for gross payment, the following conditions must be satisfied by the individual.
- (2) But where the application is for the registration of the individual as a partner in a firm, this Part of this Schedule has effect with the omission of paragraphs 2 and 3.

###### *The business test*

- 2 The applicant must satisfy the Inland Revenue, by such evidence as may be prescribed in regulations made by the Board of Inland Revenue, that he is carrying on a business in the United Kingdom which—
- (a) consists of or includes the carrying out of construction operations or the furnishing or arranging for the furnishing of labour in carrying out construction operations, and

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- (b) is, to a substantial extent, carried on by means of an account with a bank.

*The turnover test*

- 3 (1) The applicant must satisfy the Inland Revenue, by such evidence as may be prescribed in regulations made by the Board of Inland Revenue, that the carrying on of the business mentioned in paragraph 2 is likely to involve the receipt in the year following the making of the application of an aggregate amount by way of relevant payments which is not less than the amount specified in regulations made by the Board as the minimum turnover for the purposes of this sub-paragraph.
- (2) In sub-paragraph (1) “relevant payments” means payments under contracts relating to, or to the work of individuals participating in the carrying out of, any operations which—
- (a) are of a description specified in subsection (2) of section 74; but
- (b) are not of a description specified in subsection (3) of that section, other than so much of the payments as represents the direct cost to the person receiving the payments of materials used or to be used in carrying out the operations in question.
- (3) The Board may make regulations for the purpose of enabling a person who does not satisfy the condition in sub-paragraph (1) to be treated as satisfying that condition in such circumstances as may be prescribed.

*The compliance test*

- 4 (1) The applicant must, subject to sub-paragraphs (3) and (4), have complied with—
- [<sup>F991</sup>(a) any obligation imposed on him in the qualifying period (see paragraph 14)—
- (i) to pay the amount liable to be deducted under section 61 of this Act from payments made during that period,
- (ii) to submit returns as required by regulations made under section 70 of this Act,
- (iii) to pay the tax liable to be deducted under the PAYE Regulations (S.I. 2003/2682), and
- (iv) to submit a self-assessment return, and]
- (b) all requests made in the qualifying period to supply to the Inland Revenue accounts of, or other information about, any business of his.
- (2) An applicant who at any time in the qualifying period had control of a company is to be taken not to satisfy the condition in sub-paragraph (1) unless the company has satisfied that condition in relation to the period or periods within the qualifying period during which he had control of it; and for this purpose “control” is to be construed in accordance with [<sup>F992</sup>sections 450 and 451 of the Corporation Tax Act 2010].
- (3) An applicant or company that has failed to comply with such an obligation or request as—
- (a) is referred to in sub-paragraph (1), and
- (b) is of a kind prescribed by regulations made by the Board of Inland Revenue, is, in such circumstances as may be prescribed by the regulations, to be treated as satisfying the condition in that sub-paragraph as regards that obligation or request.

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- (4) An applicant or company that has failed to comply with such an obligation or request as is referred to in sub-paragraph (1) is to be treated as satisfying the condition in that sub-paragraph as regards that obligation or request if the Board of Inland Revenue are of the opinion that—
- (a) the applicant or company had a reasonable excuse for the failure to comply, and
  - (b) if the excuse ceased, he or it complied with the obligation or request without unreasonable delay after the excuse had ceased.
- (5) Where the applicant states, for the purpose of showing that he has complied with all obligations imposed on him as mentioned in sub-paragraph (1), that he was not subject to any of one or more obligations in respect of any period within the qualifying period—
- (a) he must satisfy the Board of Inland Revenue of that fact by such evidence as may be prescribed in regulations made by the Board; and
  - (b) if for that purpose he states that he has been outside the United Kingdom for the whole or any part of the qualifying period, he must also satisfy them, by such evidence as may be so prescribed, that he has complied with any obligations imposed under the tax laws of any country in which he was living during that period which are comparable to the obligations mentioned in sub-paragraph (1).
- (6) The applicant must, if any contribution has at any time during the qualifying period become due from him under—
- (a) Part 1 of the Social Security Contributions and Benefits Act 1992 (c. 4), or
  - (b) Part 1 of the Social Security Contributions and Benefits (Northern Ireland) Act 1992 (c. 7),
- have paid the contribution when it became due.
- (7) There must be reason to expect that the applicant will, in respect of periods after the qualifying period, comply with—
- (a) such obligations as are referred to in sub-paragraphs (1) to (6), and
  - (b) such requests as are referred to in sub-paragraph (1).
- (8) Subject to sub-paragraphs (3) and (4), a person is not to be taken for the purposes of this paragraph to have complied with any such obligation or request as is referred to in sub-paragraphs (1) to (5) if there has been a contravention of a requirement as to—
- (a) the time at which, or
  - (b) the period within which,
- the obligation or request was to be complied with.

#### Textual Amendments

**F991** Sch. 11 para. 4(1)(a) substituted (6.4.2016) by [The Income Tax \(Construction Industry Scheme\) \(Amendment of Schedule 11 to the Finance Act 2004\) Order 2016 \(S.I. 2016/404\)](#), arts. 1, **2(a)**

**F992** Words in Sch. 11 para. 4(2) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), **Sch. 1 para. 430** (with Sch. 2)

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## PART 2

### CONDITIONS TO BE SATISFIED BY FIRMS

#### *General*

- 5 In the case of an application for an individual or a company to be registered for gross payment as a partner in a firm, the following conditions must be satisfied by the firm.

#### *The business test*

- 6 The applicant must satisfy the Inland Revenue, by such evidence as may be prescribed in regulations made by the Board of Inland Revenue, that the firm's business—
- (a) is carried on in the United Kingdom, and
  - (b) satisfies the conditions mentioned in paragraph 2(a) and (b).

#### *The turnover test*

- 7 (1) The partners must satisfy the Inland Revenue, by such evidence as may be prescribed in regulations made by the Board of Inland Revenue, that the carrying on of the firm's business is likely to involve the receipt in the year following the making of the application of an aggregate amount by way of relevant payments which is not less than whichever is the smaller of—
- (a) the multiple turnover threshold; and
  - (b) the amount specified for the purposes of this paragraph in regulations made by the Board;
- and in this sub-paragraph "relevant payments" has the meaning given by paragraph 3(2).
- (2) In sub-paragraph (1) "the multiple turnover threshold" means the sum of—
- (a) the amount obtained by multiplying the number of partners in the firm who are individuals by the amount specified in regulations as the minimum turnover for the purposes of paragraph 3(1); and
  - (b) in respect of each partner in the firm which is a company (other than one to which paragraph 11(1)(b) would apply), the amount equal to what would have been the minimum turnover for the purposes of paragraph 11 (1) if the application had been for registration of that company for gross payment.
- (3) The Board may make regulations—
- (a) for determining the number of partners in the firm to be taken into account for the purposes of sub-paragraph (2) (for example, where the number of partners has fluctuated over a period);
  - (b) for the purpose of enabling a firm which does not satisfy the condition in sub-paragraph (1) to be treated as satisfying that condition in such circumstances as may be prescribed.

#### *The compliance test*

- 8 (1) Subject to sub-paragraphs (2) and (3), each of the persons who are partners at the time of the application must have complied, so far as any such charge to income tax

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or corporation tax is concerned as falls to be computed by reference to the profits or gains of the firm's business, with—

- [<sup>F993</sup>(a) any obligation imposed on that partner in the qualifying period (see paragraph 14)—
- (i) to pay the amount liable to be deducted under section 61 of this Act from payments made during that period,
  - (ii) to submit returns as required by regulations made under section 70 of this Act,
  - (iii) to pay the tax liable to be deducted under the PAYE Regulations (S.I. 2003/2682), and
  - (iv) to submit a self-assessment return, and]
- (b) all requests made in the qualifying period to him as such a partner to supply to the Inland Revenue accounts of, or other information about, the firm's business or his share of the profits or gains of that business.
- (2) Where a person has failed to comply with such an obligation or request as—
- (a) is referred to in sub-paragraph (1), and
  - (b) is of a kind prescribed by regulations made by the Board of Inland Revenue, the firm is, in such circumstances as may be prescribed by the regulations, to be treated, in relation to that partner, as satisfying the condition in that sub-paragraph as regards that obligation or request.
- (3) Where a person has failed to comply with such an obligation or request as is referred to in sub-paragraph (1), the firm is to be treated, in relation to that partner, as satisfying the condition in that sub-paragraph as regards that obligation or request if the Board of Inland Revenue are of the opinion that—
- (a) the person had a reasonable excuse for the failure to comply, and
  - (b) if the excuse ceased, he complied with the obligation or request without unreasonable delay after the excuse had ceased.
- (4) There must be reason to expect that each of the persons who are from time to time partners in the firm will, in respect of periods after the qualifying period, comply with such obligations and requests as are referred to in sub-paragraph (1).
- (5) Subject to sub-paragraphs (2) and (3), a person is not to be taken for the purposes of this paragraph to have complied with any such obligation or request as is referred to in sub-paragraph (1) if there has been a contravention of a requirement as to—
- (a) the time at which, or
  - (b) the period within which,
- the obligation or request was to be complied with.

[<sup>F994</sup>(6) This paragraph is subject to paragraph 8A (exception from compliance test: firms).]

#### Textual Amendments

**F993** Sch. 11 para. 8(1)(a) substituted (6.4.2016) by [The Income Tax \(Construction Industry Scheme\) \(Amendment of Schedule 11 to the Finance Act 2004\) Order 2016 \(S.I. 2016/404\)](#), arts. 1, **2(b)**

**F994** Sch. 11 para. 8(6) inserted (6.4.2015) by [The Income Tax \(Construction Industry Scheme\) \(Amendment of Schedule 11 to the Finance Act 2004\) Order 2015 \(S.I. 2015/789\)](#), arts. 1, **2(a)**

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*[<sup>F995</sup>Exception from compliance test: firms*

**Textual Amendments**

**F995** Sch. 11 para. 8A inserted (6.4.2015) by [The Income Tax \(Construction Industry Scheme\) \(Amendment of Schedule 11 to the Finance Act 2004\) Order 2015 \(S.I. 2015/789\)](#), arts. 1, **2(b)**

- 8A (1) The conditions in paragraph 8 (the compliance test: firms) do not need to be satisfied by the firm if, at the time of the application—
- (a) one or more of the partners is already registered for gross payment as a partner in another firm or otherwise than as a partner in a firm, and
  - (b) that partner has, or those partners together have, a right to a share of at least half the assets, or at least half the income, of the firm.
- (2) In sub-paragraph (1)(a) the reference to registration for gross payment does not include registration for gross payment by virtue of this paragraph or paragraph 12A (exception from compliance test: companies).]

**PART 3**

CONDITIONS TO BE SATISFIED BY COMPANIES

*General*

- 9 In the case of an application for a company to be registered for gross payment (whether as a partner in a firm or otherwise), the following conditions must be satisfied by the company.

*The business test*

- 10 The company must satisfy the Inland Revenue, by such evidence as may be prescribed in regulations made by the Board of Inland Revenue, that—
- (a) it is carrying on (whether or not in partnership) a business in the United Kingdom, and
  - (b) that business satisfies the conditions mentioned in paragraph 2(a) and (b).

*The turnover test*

- 11 (1) The company must either—
- (a) satisfy the Inland Revenue, by such evidence as may be prescribed in regulations made by the Board of Inland Revenue, that the carrying on of its business is likely to involve the receipt in the year following the making of the application of an aggregate amount by way of relevant payments which is not less than the amount which is the minimum turnover for the purposes of this sub-paragraph; or
  - (b) satisfy the Inland Revenue that the only persons with shares in the company are companies which are limited by shares and themselves are registered for gross payment;

and in this sub-paragraph “relevant payments” has the meaning given by paragraph 3(2).

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- (2) The minimum turnover for the purposes of sub-paragraph (1) is whichever is the smaller of—
  - (a) the amount obtained by multiplying the amount specified in regulations as the minimum turnover for the purposes of paragraph 3 (1) by the number of persons who are relevant persons in relation to the company; and
  - (b) the amount specified for the purposes of this paragraph in regulations made by the Board of Inland Revenue.
- (3) For the purposes of sub-paragraph (2) a person is a relevant person in relation to the company—
  - (a) where the company is a close company, if he is a director of the company (within the meaning given by section 67 of the Income Tax (Earnings and Pensions) Act 2003 (c. 1)) or a beneficial owner of shares in the company; and
  - (b) in any other case, if he is such a director of the company.
- (4) The Board may make regulations—
  - (a) for determining the number of relevant persons to be taken into account for the purposes of sub-paragraph (2) (for example, where the number of such persons has fluctuated over a period);
  - (b) for the purpose of enabling a company which does not satisfy the condition in sub-paragraph (1) to be treated as satisfying that condition in such circumstances as may be prescribed.

*The compliance test*

- 12 (1) The company must, subject to sub-paragraphs (2) and (3), have complied with—
  - <sup>F996</sup>(a) any obligation imposed on it in the qualifying period (see paragraph 14)—
    - (i) to pay the amount liable to be deducted under section 61 of this Act from payments made during that period,
    - (ii) to submit returns as required by regulations made under section 70 of this Act,
    - (iii) to pay the tax liable to be deducted under the PAYE Regulations (S.I. 2003/2682), and
    - (iv) to submit a self-assessment return, and
  - (b) all requests made in the qualifying period to supply to the Inland Revenue accounts of, or other information about, its business.
- (2) A company that has failed to comply with such an obligation or request as—
  - (a) is referred to in sub-paragraph (1), and
  - (b) is of a kind prescribed by regulations made by the Board of Inland Revenue,is, in such circumstances as may be prescribed by the regulations, to be treated as satisfying the condition in that sub-paragraph as regards that obligation or request.
- (3) A company that has failed to comply with such an obligation or request as is referred to in sub-paragraph (1) is to be treated as satisfying the condition in that sub-paragraph as regards that obligation or request if the Board of Inland Revenue are of the opinion that—
  - (a) the company had a reasonable excuse for the failure to comply, and
  - (b) if the excuse ceased, it complied with the obligation or request without unreasonable delay after the excuse had ceased.

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- (4) The company must, if any contribution has at any time during the qualifying period become due from the company under—
- (a) Part 1 of the Social Security Contributions and Benefits Act 1992 (c. 4), or
  - (b) Part 1 of the Social Security Contributions and Benefits (Northern Ireland) Act 1992 (c. 7),
- have paid the contribution when it became due.
- (5) The company must have complied with any obligations imposed on it by the following provisions of the Companies Act 1985 (c. 6) in so far as those obligations fell to be complied with within the qualifying period—
- (a) sections 226, 241 and 242 (contents, laying and delivery of annual accounts);
  - (b) section 288(2) (return of directors and secretary and notification of changes therein);
  - (c) sections 363 to 365 (annual returns);
  - (d) section 691 (registration of constitutional documents and list of directors and secretary of overseas company);
  - (e) section 692 (notification of changes in constitution or directors or secretary of overseas company);
  - (f) section 693 (overseas company to state its name and country of incorporation);
  - (g) section 699 (obligations of companies incorporated in Channel Islands or Isle of Man);
  - (h) Chapter 2 of Part 23 (accounts of overseas company).
- (6) The company must have complied with any obligations imposed on it by the following provisions of the Companies (Northern Ireland) Order 1986 (S.I. 1986/1032 (N.I. 6)) in so far as those obligations fell to be complied with within the qualifying period—
- (a) Articles 234, 249 and 250 (contents, laying and delivery of annual accounts);
  - (b) Article 296(2) (return of directors and secretary and notification of changes therein);
  - (c) Articles 371 to 373 (annual returns);
  - (d) Article 641 (registration of constitutional documents and list of directors and secretary of Part XXIII company);
  - (e) Article 642 (notification of changes in constitution or directors or secretary of Part XXIII company);
  - (f) Article 643 (Part XXIII company to state its name and country of incorporation);
  - (g) Article 649 (accounts of Part XXIII company).
- (7) There must be reason to expect that the company will, in respect of periods after the qualifying period, comply with—
- (a) all such obligations as are referred to in paragraphs 10 and 11 and sub-paragraphs (1) to (6), and
  - (b) such requests as are referred to in sub-paragraph (1).
- (8) Subject to sub-paragraphs (2) and (3), a company is not to be taken for the purposes of this paragraph to have complied with any such obligation or request as is referred to in sub-paragraphs (1) to (6) if there has been a contravention of a requirement as to—
- (a) the time at which, or



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(b) the period within which,  
the obligation or request was to be complied with.

[<sup>F997</sup>(9) This paragraph is subject to paragraph 12A (exception from compliance test: companies).]

#### Textual Amendments

**F996** Sch. 11 para. 12(1)(a) substituted (6.4.2016) by [The Income Tax \(Construction Industry Scheme\) \(Amendment of Schedule 11 to the Finance Act 2004\) Order 2016 \(S.I. 2016/404\)](#), arts. 1, **2(c)**

**F997** Sch. 11 para. 12(9) inserted (6.4.2015) by [The Income Tax \(Construction Industry Scheme\) \(Amendment of Schedule 11 to the Finance Act 2004\) Order 2015 \(S.I. 2015/789\)](#), arts. 1, **3(a)**

[<sup>F998</sup>*Exception from the compliance test: companies*

#### Textual Amendments

**F998** Sch. 11 para. 12A inserted (6.4.2015) by [The Income Tax \(Construction Industry Scheme\) \(Amendment of Schedule 11 to the Finance Act 2004\) Order 2015 \(S.I. 2015/789\)](#), arts. 1, **3(b)**

- 12A (1) The conditions in paragraph 12 (compliance test: companies) do not need to be satisfied by the company if, at the time of the application—
- (a) one or more of its members is registered for gross payment (whether as a partner in a firm or otherwise), and
  - (b) that member possesses or is entitled to acquire or those members together possess or are entitled to acquire—
    - (i) at least 50% of the share capital or issued share capital of the company,
    - (ii) at least 50% of the voting power in the company,
    - (iii) so much of the issued share capital of the company as would, on the assumption that the whole of the income of the company were distributed among its members, entitle the member or members mentioned in paragraph (a) to receive at least 50% of the amount so distributed, or
    - (iv) such rights as would entitle the member or members mentioned in paragraph (a), in the event of the winding up of the company or in any other circumstances, to receive at least 50% of the assets of the company which would then be available for distribution among its members.
- (2) In sub-paragraph (1)(a) the reference to registration for gross payment does not include registration for gross payment by virtue of this paragraph or paragraph 8A (exception from compliance test: firms).
- (3) For the purposes of this paragraph a person is treated as entitled to acquire anything which the person—
- (a) is entitled to acquire at a future date, or
  - (b) will at a future date be entitled to acquire.
- (4) Any rights that a member or any other person has as a loan creditor are to be disregarded for the purposes of the assumption in sub-paragraph (1)(b)(iii); and for

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this purpose “loan creditor” has the same meaning as in Part 10 of the Corporation Tax Act 2010 (close companies).]

## PART 4

### SUPPLEMENTARY PROVISIONS

#### *Power to amend conditions for registration for gross payment*

- 13 (1) The Treasury may by order made by statutory instrument amend this Schedule by—
- (a) adding,
  - (b) varying, or
  - (c) removing,
- a condition for registration for gross payment.
- (2) No statutory instrument containing an order under this paragraph shall be made unless a draft of the instrument has been laid before and approved by a resolution of the House of Commons.

#### *“Qualifying period”*

- 14 In this Schedule “the qualifying period” means the period of 12 months ending with the date of the application in question.
- [<sup>F999</sup>14(A)] For any part of the qualifying period falling on 1 October 2009 or later, paragraph 12(5) must be understood as referring instead to—
- (a) the Companies Act 2006 (c. 46) sections 394, 395, 437 and 441 (accounts);
  - (b) sections 167(1), 167(2), 276(1) and 276(2) of that Act (changes in director or secretary);
  - (c) Part 24 of that Act (annual returns);
  - (d) regulations under Part 34 of that Act (overseas companies) which are about—
    - (i) registration of particulars,
    - (ii) accounts, reports or returns,
    - (iii) trading disclosures.
- (2) For such part of the qualifying period, paragraph 12(6) must be disregarded and paragraphs 12(7)(a) and 12(8) understood as referring to sub-paragraphs (1) to (5) instead of (1) to (6).]

#### **Textual Amendments**

**F999** Sch. 11 para. 14A inserted (1.10.2009) by [The Companies Act 2006 \(Consequential Amendments\) \(Taxes and National Insurance\) Order 2009 \(S.I. 2009/1890\)](#), arts. 1(1), 6

#### *Regulations under this Schedule*

- 15 Any power under this Schedule to make regulations prescribing the evidence required for establishing what is likely to happen at any time includes power to provide for such matters to be presumed (whether conclusively or unless the

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contrary is shown in the manner provided for in the regulations) from evidence of what has previously happened.

- 16 Regulations under paragraph 3(1), 7 (1) or 11 (1) prescribing the evidence required for establishing the amount by way of relevant payments likely to be received by a person may make different provision according to whether—
- (a) the person is applying for registration for gross payment, or
  - (b) the Board of Inland Revenue are considering whether to make a determination under section 66(1)(a) cancelling the person's registration for gross payment.

## SCHEDULE 12

Section 76

### CONSTRUCTION INDUSTRY SCHEME: CONSEQUENTIAL AMENDMENTS

#### *Records to be kept for purposes of returns*

- 1 (1) Section 12B of the Taxes Management Act 1970 (c. 9) is amended as follows.
- (2) In subsection (4A) (records in respect of which duty to preserve records may not be satisfied by preservation of information contained in them) for paragraph (b) substitute—
- “(b) any record (however described) which is required by regulations under section 70(1)(c) of the Finance Act 2004 to be given to a sub-contractor (within the meaning of section 58 of that Act) on the making of a payment to which section 61 of that Act (deductions on account of tax) applies;”.

#### *General rule as to when corporation tax is due and payable*

- 2 (1) Section 59D of the Taxes Management Act 1970 is amended as follows.
- (2) In subsection (4)(d) (amounts taken into account in determining whether repayment is due under subsection (2)) for “by virtue of regulations under section 559A of the principal Act” substitute “ by virtue of regulations under section 62 of the Finance Act 2004 ”.

#### *Claim for repayment in advance of liability being established*

- 3 (1) Section 59DA of the Taxes Management Act 1970 is amended as follows.
- (2) In subsection (7) (deductions under section 559 of the Taxes Act 1988 to be disregarded in considering whether amount paid by company exceeds its probable tax liability, where claim made before return delivered) for “section 559 of the principal Act” substitute “ section 61 of the Finance Act 2004 ”.

#### *Priority of claim for tax*

- 4 (1) Section 62 of the Taxes Management Act 1970 is amended as follows.
- (2) In subsection (1A)(b) (goods or chattels of person in default not to be taken in execution etc unless person seeking execution pays to collector sums due from person

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in default in respect of deductions under section 559 of the Taxes Act 1988) for “section 559 of the principal Act” substitute “ section 61 of the Finance Act 2004 ”.

*Recovery of tax in Scotland*

- 5 (1) Section 63 of the Taxes Management Act 1970 (c. 9) is amended as follows.
- (2) In subsection (3)(b) (application for summary warrant relating to sums due in respect of deductions required to be made under section 559 of the Taxes Act 1988: no requirement to state that 14 days have elapsed since demand) for “section 559 of the principal Act” substitute “ section 61 of the Finance Act 2004 ”.

*Priority of claim for tax in Scotland*

- 6 (1) Section 64 of the Taxes Management Act 1970 is amended as follows.
- (2) In subsection (1A)(b) (moveable goods and effects of person in default not to be taken by diligence etc unless person proceeding to take goods and effects pays to collector sums due from person in default in respect of deductions under section 559 of the Taxes Act 1988) for “section 559 of the principal Act” substitute “ section 61 of the Finance Act 2004 ”.

*Special returns etc*

- 7 (1) Section 98 of the Taxes Management Act 1970 is amended as follows.
- (2) In the first column of the Table, omit the entry relating to section 561(8) of the Taxes Act 1988.
- (3) In the second column of the Table, omit the entry relating to regulations under section 566(1), (2) or (2A) of that Act.
- (4) In the first column of the Table, insert at the appropriate place— “ Regulations under section 70(3) of the Finance Act 2004. ”.
- (5) In the second column of the Table, insert at the appropriate place— “ Regulations under section 65(2), 69(1), 70(1)(a) or (c) or 71 of the Finance Act 2004. ”.

*Special penalties in the case of certain returns*

- 8 (1) Section 98A of the Taxes Management Act 1970 is amended as follows.
- (2) In subsection (1) (regulations which may provide for section 98A to apply) for “section 566 (1) (sub-contractors) of the principal Act” substitute “ section 70(1)(a) or 71 of the Finance Act 2004 (sub-contractors) ”.
- (3) In subsection (2)(b) (penalty for failure to make return continuing beyond 12 months)
- (a) after “not exceeding” insert—
- “(i) in the case of a provision of PAYE regulations,”  
and
- (b) at the end insert “, or
- (ii) in the case of a provision of regulations under section 70(1)(a) or 71 of the Finance Act 2004, £3,000.”.

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- (4) In subsection (4)(a) (penalty for fraudulently or negligently making incorrect return) after “year of assessment” insert “ (in the case of a provision of PAYE regulations) or period (in the case of a provision of regulations under section 70(1)(a) or 71 of the Finance Act 2004) ”.

*Sub-contractors in the construction industry*

- 9 (1) The Taxes Act 1988 is amended as follows.  
(2) In Part 13, omit Chapter 4.

*Designated international organisations: miscellaneous exemptions*

F1000 10 .....

**Textual Amendments**

F1000 Sch. 12 para. 10 repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), **Sch. 3 Pt. 1** (with Sch. 2)

*Application of Income Tax Acts to public departments etc*

F1001 11 .....

**Textual Amendments**

F1001 Sch. 12 para. 11 repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), **Sch. 3 Pt. 1** (with Sch. 2)

*Provisions for securing payment by company of outstanding tax*

F1002 12 .....

**Textual Amendments**

F1002 Sch. 12 para. 12 repealed (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), **Sch. 10 Pt. 12** (with Sch. 9 paras. 1-9, 22)

*Supplementary provisions relating to contributions: Great Britain*

- 13 (1) Schedule 1 to the Social Security Contributions and Benefits Act 1992 (c. 4) is amended as follows.  
(2) In paragraph 7 (special penalties in case of certain returns) in sub-paragraph (1) (paragraph 7 to apply to certain returns made at the same time as a return made under regulations under section 566 (1) of the Taxes Act 1988 etc) in paragraph (a) for “section 566 (1) (sub-contractors) of the Income and Corporation Taxes Act 1988” substitute “ section 70(1)(a) or 71 (sub-contractors) of the Finance Act 2004 ”.

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*Supplementary provisions relating to contributions: Northern Ireland*

- 14 (1) Schedule 1 to the Social Security Contributions and Benefits (Northern Ireland) Act 1992 (c. 7) is amended as follows.
- (2) In paragraph 7 (special penalties in case of certain returns) in sub-paragraph (1) (paragraph 7 to apply to certain returns made at the same time as a return made under regulations under section 566 (1) of the Taxes Act 1988 etc) in paragraph (a) for “section 566 (1) (sub-contractors) of the Income and Corporation Taxes Act 1988” substitute “ section 70(1)(a) or 71 (sub-contractors) of the Finance Act 2004 ”.

*Transitional provisions concerning construction workers supplied by agencies*

- 15 (1) Section 56 of the Finance Act 1998 (c. 36) is amended as follows.
- (2) In subsection (8) (meaning of “construction trade”) for “Chapter 4 of Part 13 of the Taxes Act 1988” substitute “ section 74 of the Finance Act 2004 ”.

*Company tax returns, assessments and related matters*

- 16 (1) Schedule 18 to the Finance Act 1998 is amended as follows.
- (2) In paragraph 22 (preservation of information instead of original records) in sub-paragraph (3) (records in respect of which duty to preserve records may not be satisfied by preservation of information contained in them) for paragraph (b) substitute—
- “(b) any record (however described) which is required by regulations under section 70(1)(c) of the Finance Act 2004 to be given to a sub-contractor (within the meaning of section 58 of that Act) on the making of a payment to which section 61 of that Act (deductions on account of tax) applies;”.

*Calculation of deemed employment payment*

- 17 (1) Section 54 of the Income Tax (Earnings and Pensions) Act 2003 (c. 1) is amended as follows.
- (2) In subsection (2) (intermediary to be treated, in calculating the deemed employment payment, as if amounts received subject to deduction under section 559 of the Taxes Act 1988 had been received without deduction) for “section 559 of ICTA” substitute “ section 61 of the Finance Act 2004 ”.

SCHEDULE 13

Section 78

CHILDCARE AND CHILDCARE VOUCHERS

*Childcare*

- 1 In Chapter 11 of Part 4 of the Income Tax (Earnings and Pensions) Act 2003 (miscellaneous exemptions), for section 318 (care for children) substitute—

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### **“318 Childcare: exemption for employer-provided care**

- (1) No liability to income tax arises by virtue of Chapter 10 of Part 3 (taxable benefits: residual liability to charge) in respect of the provision for an employee of care for a child if conditions A to D are met.

For the meaning of “care” and “child”, see section 318B.

- (2) If those conditions are met only as respects part of the provision, no such liability arises in respect of that part.
- (3) Condition A is that the child—
- (a) is a child or stepchild of the employee and is maintained (wholly or partly) at the employee’s expense,
  - (b) is resident with the employee, or
  - (c) is a person in respect of whom the employee has parental responsibility.

For the meaning of “parental responsibility”, see section 318B.

- (4) Condition B is that—
- (a) the premises on which the care is provided are not used wholly or mainly as a private dwelling, and
  - (b) any applicable registration requirement is met.
- (5) The registration requirements are—
- (a) in England and Wales, that under Part 10A of the Children Act 1989;
  - (b) in Scotland, that under Part 1 or 2 of the Regulation of Care (Scotland) Act 2001;
  - (c) in Northern Ireland, that under Part XI of the Children (Northern Ireland) Order 1995.

- (6) Condition C is that—
- (a) the premises on which the care is provided are made available by the scheme employer alone, or
  - (b) the partnership requirements are met.

In this section “scheme employer” means the employer operating the scheme under which the care is provided (who need not be the employer of the employee).

- (7) The partnership requirements are—
- (a) that the care is provided under arrangements made by persons who include the scheme employer,
  - (b) that the premises on which it is provided are made available by one or more of those persons, and
  - (c) that under the arrangements the scheme employer is wholly or partly responsible for financing and managing the provision of the care.
- (8) Condition D is that the care is provided under a scheme that is open—
- (a) to the scheme employer’s employees generally, or
  - (b) generally to those of the scheme employer’s employees at a particular location,

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and that the employee to whom it is provided is either an employee of the scheme employer or is an employee working at the same location as employees of the scheme employer to whom the scheme is open.

### **318A Childcare: limited exemption for other care**

- (1) If conditions A to C are met in relation to the provision for an employee of care for a child, liability to income tax by virtue of Chapter 10 of Part 3 (taxable benefits: residual liability to charge) arises only in respect of so much of the cash equivalent of the benefit as exceeds the exempt amount.

For the meaning of “care” and “child”, see section 318B.

- (2) If those conditions are met only as respects part of the provision, subsection (1) applies in respect of that part.
- (3) Condition A is that the child—
- (a) is a child or stepchild of the employee and is maintained (wholly or partly) at the employee’s expense, or
  - (b) is resident with the employee and is a person in respect of whom the employee has parental responsibility.

For the meaning of “parental responsibility”, see section 318B.

- (4) Condition B is that the care is qualifying child care.

For the meaning of “qualifying child care”, see section 318C.

- (5) Condition C is that the care is provided under a scheme that is open—
- (a) to the employer’s employees generally, or
  - (b) generally to those at a particular location.
- (6) For the purposes of this section the “exempt amount”, in any tax year, is £50 for each qualifying week in that year.
- (7) A “qualifying week” means a tax week in which care is provided for a child in circumstances in which conditions A to C are met.

A “tax week” means one of the successive periods in a tax year beginning with the first day of that year and every seventh day after that (so that the last day of a tax year or, in the case of a tax year ending in a leap year, the last two days is treated as a separate week).

- (8) An employee is only entitled to one exempt amount even if care is provided for more than one child.

But it does not matter that another person may also be entitled to an exempt amount in respect of the same child.

- (9) An employee is not entitled to an exempt amount under this section and under section 270A (limited exemption for childcare vouchers) in respect of the same tax week.



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### **318B Childcare: meaning of “care”, “child” and “parental responsibility”**

- (1) For the purposes of sections 318 and 318A (exemptions for employer-provided or employer-contracted childcare) “care” means any form of care or supervised activity that is not provided in the course of the child’s compulsory education.
- (2) For the purposes of those sections a person is a “child” until the last day of the week in which falls the 1st September following the child’s fifteenth birthday (or sixteenth birthday if the child is disabled).
- (3) For the purposes of subsection (2) a child is disabled if—
  - (a) a disability living allowance is payable in respect of him, or has ceased to be payable solely because he is a patient,
  - (b) he—
    - (i) is registered as blind in a register compiled by a local authority under section 29 of the National Assistance Act 1948 (welfare services),
    - (ii) has been certified as blind in Scotland and in consequence is registered as blind in a register maintained by or on behalf of a local authority in Scotland, or
    - (iii) has been certified as blind in Northern Ireland and in consequence is registered as blind in a register maintained by or on behalf of a Health and Social Services Board, or
  - (c) he ceased to be so registered as blind within the previous 28 weeks.
- (4) In subsection (3)(a) “patient” means a person (other than a person who is serving a sentence imposed by a court in a prison or youth custody institution or, in Scotland, a young offenders' institution) who is regarded as receiving free in-patient treatment within the meaning of the Social Security (Hospital In-Patients) Regulations 1975 or the Social Security (Hospital In-Patients) Regulations (Northern Ireland) 1975.
- (5) For the purposes of sections 318 and 318A “parental responsibility” means all the rights, duties, powers, responsibilities and authority which by law a parent of a child has in relation to the child and the child’s property.
- (6) In this section and section 318C “local authority” means—
  - (a) in relation to England, the council of a county or district, a metropolitan district, a London Borough, the Common Council of the City of London or the Council of the Isles of Scilly;
  - (b) in relation to Wales, the council of a county or county borough;
  - (c) in relation to Scotland, a council constituted under section 2 of the Local Government etc. (Scotland) Act 1994.

### **318C Childcare: meaning of “qualifying child care”**

- (1) For the purposes of section 318A “qualifying child care” means registered or approved care within any of subsections (2) to (6) below that is not excluded by subsection (7) below.

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- (2) Care provided for a child in England is registered or approved care if it is provided—
- (a) by a person registered under Part 10A of the Children Act 1989,
  - (b) by a school or establishment that does not need to be registered under that Part to provide the care because of an exemption under paragraph 1 or 2 of Schedule 9A to that Act,
  - (c) in the case of care provided for a child out of school hours between the child's 8th birthday and the last day on which he is treated as being a child, by a school on school premises or by a local authority, or
  - (d) by a child care provider approved by an organisation accredited under the Tax Credit (New Category of Child Care Provider) Regulations 1999,
  - (e) wholly or mainly in the child's home by a child care provider approved in accordance with the Tax Credits (Approval of Home Child Care Providers) Scheme 2003, or
  - (f) by a domiciliary care worker under the Domiciliary Care Agencies Regulations 2002.
- (3) Care provided for a child in Wales is registered or approved care if it is provided—
- (a) by a person registered under Part 10A of the Children Act 1989,
  - (b) by a school or establishment that does not need to be registered under that Part to provide the care because of an exemption under paragraph 1 or 2 of Schedule 9A to that Act,
  - (c) in the case of care provided for a child out of school hours between the child's 8th birthday and the last day on which he is treated as being a child, by a school on school premises or by a local authority, or
  - (d) by a child care provider approved by an organisation accredited under the Tax Credit (New Category of Child Care Provider) Regulations 1999.
- (4) Care provided for a child in Scotland is registered or approved care if it is provided—
- (a) by a person in circumstances where the care service provided by him—
    - (i) consists of child minding or of day care of children within the meaning of section 2 of the Regulation of Care (Scotland) Act 2001, and
    - (ii) is registered under Part 1 of that Act, or
  - (b) by a local authority in circumstances where the care service provided by the local authority—
    - (i) consists of child minding or of day care of children within the meaning of section 2 of the Regulation of Care (Scotland) Act 2001, and
    - (ii) is registered under Part 2 of that Act.
- (5) Care provided for a child in Northern Ireland is registered or approved care if it is provided—

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- (a) by a person registered under Part XI of the Children (Northern Ireland) Order 1995, or
  - (b) by an institution or establishment that does not need to be registered under that Part to provide the care because of an exemption under Article 121 of that Order, or
  - (c) in the case of care provided for a child out of school hours between the child's 12th birthday and the last day on which he is treated as being a child, by a school on school premises or by an education and library board or an HSS trust.
- (6) Care provided for a child outside the United Kingdom is registered or approved child care if it is provided by a child care provider approved by an organisation accredited under the Tax Credit (New Category of Child Care Provider) Regulations 2002.
- (7) Child care is excluded from section 318A—
- (a) if it is provided by the partner of the employee in question, or
  - (b) if it is provided by a relative of the child wholly or mainly in the child's home or (if different) the home of a person having parental responsibility for the child.
- (8) In subsection (7)—
- “partner” means one of a married or unmarried couple; and
  - “relative” means parent, grandparent, aunt, uncle, brother or sister, whether by blood, half blood or marriage.

### **318D Childcare: power to vary exempt amount and qualifying conditions**

- (1) The Treasury may by order amend section 318A(6) (employer-contracted care: the exempt amount) so as to substitute a different sum of money for that for the time being specified.
- (2) The Treasury may by regulations make such amendments of the provisions of sections 318 to 318C relating to the qualifying conditions for the exemptions conferred by sections 318 and 318A as appear to them appropriate having regard to the corresponding provisions of regulations under section 12 of the Tax Credits Act 2002 relating to entitlement to the child care element of working tax credit.”.

### *Childcare vouchers*

- 2 (1) Chapter 4 of Part 3 of the Income Tax (Earnings and Pensions) Act 2003 (c. 1) (taxable benefits: vouchers and credit-tokens) is amended as follows.
- (2) In section 84 (meaning of “non-cash voucher”)—
- (a) in subsection (1), after paragraph (a) insert—
    - “(ab) a childcare voucher,” and
  - (b) after subsection (2) insert—
    - “(2A) In this Chapter “childcare voucher” means a voucher, stamp or similar document or token intended to enable a person to obtain the provision of care for a child (whether or not in exchange for it).”.

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- (3) In section 87 (benefit of non-cash voucher treated as earnings), after subsection (3) insert—

“(3A) In the case of a childcare voucher, the reference in subsection (3)(b) to the services for which the voucher is capable of being exchanged is to the provision of care for a child which may be obtained by using it.”.

- (4) In section 95 (disregard for money, goods or services obtained), after subsection (3) insert—

“(3A) In the case of a childcare voucher, the reference in subsection (2)(a) to the services obtained in exchange for the voucher is to the provision of care for a child obtained by using it.”.

- 3 In Chapter 6 of Part 4 of the Income Tax (Earnings and Pensions) Act 2003 (exemptions: non-cash vouchers and credit-tokens), after section 270 insert—

**“270A Limited exemption for qualifying childcare vouchers**

- (1) If qualifying childcare vouchers are provided for an employee, liability to income tax by virtue of Chapter 4 of Part 3 (taxable benefits: vouchers and credit tokens) arises only in respect of so much of the cash equivalent of the benefit as exceeds the exempt amount.
- (2) A “qualifying childcare voucher” means a non-cash voucher in relation to which Conditions A to C are met.
- (3) Condition A is that the voucher is provided to enable an employee to obtain care for a child who—
  - (a) is a child or stepchild of the employee and is maintained (wholly or partly) at the employee’s expense, or
  - (b) is resident with the employee and is a person in respect of whom the employee has parental responsibility.
- (4) Condition B is that the voucher can only be used to obtain qualifying child care.
- (5) Condition C is that the vouchers are provided under a scheme that is open—
  - (a) to the employer’s employees generally, or
  - (b) generally to those at a particular location.
- (6) For the purposes of this section the “exempt amount”, in any tax year, is £50 for each qualifying week in that year.
- (7) A “qualifying week” means a tax week in respect of which a qualifying childcare voucher is received.

A “tax week” means one of the successive periods in a tax year beginning with the first day of that year and every seventh day after that (so that the last day of a tax year or, in the case of a tax year ending in a leap year, the last two days is treated as a separate week).

- (8) An employee is only entitled to one exempt amount even if care is provided for more than one child.

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But it does not matter that another person may also be entitled to an exempt amount in respect of the same child.

- (9) An employee is not entitled to an exempt amount under this section and under section 318A (limited exemption for employer-contracted childcare) in respect of the same tax week.
- (10) In this section “care”, “child”, “parental responsibility” and “qualifying child care” have the same meaning as in section 318A (see sections 318B and 318C).
- (11) The powers conferred by section 318D (childcare: power to vary exempt amount and qualifying conditions) are exercisable—
- (a) in relation to the exempt amount specified in subsection (6) above as in relation to the exempt amount specified in section 318A(6), and
  - (b) in relation to the qualifying conditions for the exemption conferred by this section as in relation to the qualifying conditions for the exemption conferred by section 318A.”.

## SCHEDULE 14

Section 80

### VANS

- 1 The Income Tax (Earnings and Pensions) Act 2003 (c. 1) is amended as follows.
- 2 (1) Section 114 (cars, vans and related benefits) is amended as follows.
- (2) In subsection (2), in paragraph (c), for “166” substitute “ 159 ”and after that paragraph insert “; and
- (d) sections 160 to 164 provide for the cash equivalent of the benefit of any fuel provided for the van to be treated as earnings in certain circumstances.”
- (3) After subsection (3) insert—
- “(3A) This Chapter does not apply to a van in relation to a tax year if the private use of the van during the tax year by the employee or member of the employee’s family or household is insignificant.”
- (4) In subsection (4), insert at the end— “ section 169A (van available to more than one member of family or household employed by same employer). ”
- 3 In section 116(2) (when car is first made available and last day on which car is available), after “car”, in each place, insert “ or van ”.
- 4 In section 119 (where alternative to benefit of car offered), after “car”, in each place (including the heading), insert “ or van ”.
- 5 For sections 155 to 166 substitute—

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### “155 Cash equivalent of the benefit of a van

- (1) What is the cash equivalent of the benefit of a van for a tax year depends on whether or not the restricted private use condition is met in relation to the van for the year.
- (2) The cash equivalent of the benefit of the van for the year is—
  - (a) nil if that condition is met in relation to the van for the tax year, and
  - (b) the amount given by subsection (3) if it is not.
- (3) That amount is—
  - (a) where the tax year is the tax year 2005-06 or 2006-07—
    - (i) £500 if the age of the van is less than 4 years at the end of the tax year, and
    - (ii) £350 in any other case, and
  - (b) where the tax year is a later tax year, £3,000.
- (4) The restricted private use condition is met in relation to a van for a tax year if—
  - (a) the commuter use requirement is satisfied throughout the year (or the part of the year on which it is available to the employee) or the extent to which it is not satisfied during that period is insignificant, and
  - (b) the business travel requirement is satisfied throughout the year (or the part of the year on which it is available to the employee).
- (5) The commuter use requirement is satisfied at any time if—
  - (a) the terms on which the van is available to the employee at the time prohibit its private use otherwise than for the purposes of ordinary commuting or travel between two places that is for practical purposes substantially ordinary commuting, and
  - (b) neither the employee nor a member of the employee’s family or household makes private use of the van at the time otherwise than for those purposes.
- (6) In subsection (5) “ordinary commuting” has the same meaning as in section 338 (travel for necessary attendance) (see subsection (3) of that section).
- (7) The business travel requirement is satisfied at a time if the van is available to the employee at the time mainly for use for the purposes of the employee’s business travel (see section 171(1)).
- (8) The cash equivalent of the van may be reduced—
  - (a) under section 156 for any periods when the van is unavailable,
  - (b) under section 157 where the van is shared, and
  - (c) under section 158 in respect of payments by the employee for the private use of the van.

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*Vans: reductions of cash equivalent*

**156 Reduction for periods when van unavailable**

- (1) The cash equivalent of the benefit of a van for a tax year under section 155(2) (a) or (b) is to be reduced if the van has been unavailable on any day during the year.
- (2) For the purposes of this section a van is unavailable on any day if the day—
  - (a) falls before the first day on which the van is available to the employee,
  - (b) falls after the last day on which the van is available to the employee, or
  - (c) falls within a period of 30 days or more throughout which the van is not available to the employee.
- (3) The amount of the reduction is given by the formula—

$$\frac{U}{Y} \times CE$$

where—

U is the number of days in the year on which the van is unavailable,

Y is the number of days in the year, and

CE is the amount of the cash equivalent before any reduction.

*Reduction of cash equivalent where van is shared*

**157 Reduction of cash equivalent where van is shared**

- (1) This section applies if in a tax year a van—
  - (a) is available to more than one employee concurrently,
  - (b) is so made available by the same employer, and
  - (c) is available concurrently for each employee's private use.
- (2) The cash equivalent of the benefit of the van to each of those employees for that year—
  - (a) is to be calculated separately under sections 155 and 156, and
  - (b) is then to be reduced on a just and reasonable basis.
- (3) If —
  - (a) any of the employees mentioned in subsection (1)(a) (“E”) is a member of the family or household of another of them (“M”), and
  - (b) E's employment is an excluded employment,the availability of the van to E is to be disregarded when applying subsection (2)(b) in respect of M.

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- (4) In this section the reference to the van being available for each employee’s private use includes a reference to the van being available for the private use of a member of the employee’s family or household.

*Reduction for payments for private use*

**158 Reduction for payments for private use**

- (1) The cash equivalent of the benefit of a van for a tax year under section 155(2) (a) or (b) (after any reduction under sections 156 and 157) is to be reduced if, as a condition of the van being available for the employee’s private use, the employee—
- (a) is required in that year to pay (whether by way of deduction from earnings or otherwise) an amount of money for that use, and
  - (b) makes such payment.
- (2) If the amount paid by the employee in respect of that year is equal to or exceeds that cash equivalent, it is reduced to nil.
- (3) In any other case that cash equivalent is reduced by the amount paid by the employee.
- (4) In this section the reference to the van being available for the employee’s private use includes a reference to the van being available for the private use of a member of the employee’s family or household.

*Modification of provisions where van temporarily replaced*

**159 Modification of provisions where van temporarily replaced**

- (1) This section applies if—
- (a) the van normally available to an employee (“the normal van”) is not available to the employee for a period of less than 30 days,
  - (b) another van (“the replacement van”) is made available to the employee in order to replace the normal van for the whole or part of that period, and
  - (c) the employee is chargeable to tax in respect of both the normal van and the replacement van by virtue of section 154.
- (2) If this section applies—
- (a) section 156 applies so that the replacement van is to be treated as unavailable on the days during the period on which it replaces the normal van, and
  - (b) sections 155, 157 and 158 apply as if the replacement van were the normal van.

*Van fuel: benefit treated as earnings*

**160 Benefit of van fuel treated as earnings**

- (1) If in a tax year—



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- (a) fuel is provided for a van by reason of an employee's employment,
  - (b) that person is chargeable to tax in respect of the van by virtue of section 154, and
  - (c) the cash equivalent of the van for that year is that under section 155(2)(b),
- the cash equivalent of the benefit of the fuel is to be treated as earnings from the employment for that year.
- (2) The cash equivalent of the benefit of the fuel is calculated in accordance with sections 161 to 164.
  - (3) Fuel is to be treated as provided for a van, in addition to any other way in which it may be provided, if—
    - (a) any liability in respect of the provision of fuel for the van is discharged,
    - (b) a non-cash voucher or a credit-token is used to obtain fuel for the van,
    - (c) a non-cash voucher or a credit-token is used to obtain money which is spent on fuel for the van, or
    - (d) any sum is paid in respect of expenses incurred in providing fuel for the van.
  - (4) References in this section to fuel do not include any facility or means for supplying electrical energy for an electrically propelled vehicle.

#### **161 Van fuel: the cash equivalent**

The cash equivalent of the benefit of the fuel is—

- (a) where the tax year is the tax year 2005-06 or 2006-07, nil, and
- (b) where the tax year is a later tax year, £500.

#### **162 Van fuel: nil cash equivalent**

- (1) The cash equivalent of the benefit of the fuel is nil if condition A or B is met.
- (2) Condition A is met if in the tax year in question—
  - (a) the employee is required to make good to the person providing the fuel the whole of the expense incurred by that person in connection with the provision of the fuel for the employee's private use, and
  - (b) the employee does make good that expense.
- (3) Condition B is met if in the tax year in question the fuel is made available only for business travel (see section 171(1)).

#### **163 Van fuel: proportionate reduction of cash equivalent**

- (1) The cash equivalent of the benefit of the fuel is to be proportionately reduced if for any part of the tax year in question the van for which the fuel is provided is unavailable (within the meaning of section 156 (reduction for periods when van unavailable)).
- (2) But if section 159 (van temporarily replaced) applies—

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- (a) section 160 applies as if the replacement van were the normal van, and
  - (b) for the purposes of subsection (1) the replacement van is to be treated as unavailable on the days during the period on which it replaces the normal van.
- (3) The cash equivalent of the benefit of the fuel is also to be proportionately reduced if for any part of the tax year in question—
- (a) the facility for the provision of fuel as mentioned in section 160 (1) is not available,
  - (b) the fuel is made available only for business travel (see section 171(1)), or
  - (c) the employee is required to make good to the person providing the fuel the whole of the expense incurred by that person in connection with the provision of the fuel for the employee’s private use and the employee does make good that expense.
- (4) The fact that any of the conditions specified in subsection (3) is met for part of a tax year is to be disregarded if there is a time later in that year when none of those conditions is met.
- (5) Where the cash equivalent is to be proportionately reduced under subsection (1) or (3) (or under both those subsections), the reduced amount is given by the formula—

$$CE \times \frac{Y - D}{Y}$$

where—

CE is the amount of the cash equivalent before any reduction,

Y is the number of days in the tax year in question, and

D is the total number of days in the tax year on which either the van is unavailable or one or more of the conditions in subsection (3) is met.

#### **164 Van fuel: reduction of cash equivalent**

If a reduction of the cash equivalent of the benefit of the van for which the fuel is provided is made under section 157 (reduction of cash equivalent where van is shared), a corresponding reduction is to be made in relation to the cash equivalent of the benefit of the fuel.”

6 After section 169 insert—

#### **“169A Van available to more than one member of family or household employed by same employer**

- (1) This section applies where—
- (a) an employee (“E”) and a member of the employee’s family or household (“M”) are employed by the same employer, and

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- (b) as a result of a van being made available to M in a tax year, E would (apart from this section) be chargeable to tax in respect of the van in that year by virtue of section 154.
  - (2) The cash equivalent of the benefit of the van and of any fuel provided for the van by reason of E's employment is not to be treated as E's earnings for that year if—
    - (a) M is chargeable to tax in respect of the van in that year by virtue of section 154, or
    - (b) where M's employment is an excluded employment, M had the benefit of the van in M's own right as an employee and condition A or B is met.
  - (3) Condition A is met if equivalent vans are made available on the same terms to employees who—
    - (a) are in similar employment to M with the same employer, and
    - (b) are not members of the family or household of employees of that employer who are employed in employment which is not an excluded employment.
  - (4) Condition B is met if the making available of an equivalent van is in accordance with the normal commercial practice for an employment of the kind held by M."
- 7 (1) Section 170 (orders etc.) is amended as follows.
  - (2) After subsection (1) insert—
    - “(1A) The Treasury may by order substitute a different amount for that for the time being specified in—
      - (a) section 155(2)(a) (cash equivalent where van subject only to restricted private use by employee), and
      - (b) section 155(3)(b) (cash equivalent in other cases).”
  - (3) In subsection (2), after “(1)” insert “ or (1A) ”.
  - (4) In subsection (5), insert at the end “ or section 161(b) (van fuel: cash equivalent) ”.
- 8 In section 237 (exemption from Chapter 10 of Part 3 in respect of provision of workplace parking), in subsection (3)(a) (car parking space to be “workplace parking”), for “car parking space” substitute “ parking space for a car or van ”.

## SCHEDULE 15

Section 84

### CHARGE TO INCOME TAX ON BENEFITS RECEIVED BY FORMER OWNER OF PROPERTY

#### *Introductory*

- 1 In this Schedule—
  - “HTA 1984” means the Inheritance Tax Act 1984 (c. 51);
  - [<sup>F1003</sup>“ITTOIA 2005” means the Income Tax (Trading and Other Income Act) 2005;]

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“the 1986 Act” means the Finance Act 1986 (c. 41);  
 “chattel” means any tangible movable property (or, in Scotland, corporeal movable property) other than money;  
 “excluded transaction” has the meaning given by paragraph 10;  
 “intangible property” means any property other than chattels or interests in land;  
 “interest in land” has the same meaning as in Chapter 4 of Part 6 of IHTA 1984;  
 “land” has the same meaning as in IHTA 1984;  
 “prescribed” means prescribed by regulations;  
 “property” has the same meaning as in IHTA 1984;  
 “regulations” means regulations made by the Treasury under this Schedule;  
 “settlement” and “settled property” have the same meanings as in IHTA 1984.

#### Textual Amendments

**F1003** Words in Sch. 15 para. 1 inserted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 1 para. 653\(2\)](#) (with [Sch. 2](#))

- [<sup>F1004</sup>(1) For the purposes of this Schedule whether a person is connected with another person is determined in accordance with section 993 of the Income Tax Act 2007.
- (2) But for those purposes sections 993 and 994 of that Act are to be read as if in those sections—
- (a) “relative” included uncle, aunt, nephew and niece, and
  - (b) “settlement”, “settlor” and “trustee” had the same meanings as in IHTA 1984.]

#### Textual Amendments

**F1004** Sch. 15 para. 2 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. 482\(2\)](#) (with [Sch. 2](#))

### *Land*

- 3 (1) This paragraph applies where—
- (a) an individual (“the chargeable person”) occupies any land (“the relevant land”), whether alone or together with other persons, and
  - (b) the disposal condition or the contribution condition is met as respects the land.
- (2) The disposal condition is that—
- (a) at any time after 17th March 1986 the chargeable person owned an interest—
    - (i) in the relevant land, or
    - (ii) in other property the proceeds of the disposal of which were (directly or indirectly) applied by another person towards the acquisition of an interest in the relevant land, and

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- (b) the chargeable person has disposed of all, or part of, his interest in the relevant land or the other property, otherwise than by an excluded transaction.
- (3) The contribution condition is that at any time after 17th March 1986 the chargeable person has directly or indirectly provided, otherwise than by an excluded transaction, any of the consideration given by another person for the acquisition of—
- (a) an interest in the relevant land, or
- (b) an interest in any other property the proceeds of the disposal of which were (directly or indirectly) applied by another person towards the acquisition of an interest in the relevant land.
- (4) For the purposes of this paragraph a disposition which creates a new interest in land out of an existing interest in land is to be taken to be a disposal of part of the existing interest.
- (5) Where this paragraph applies to a person in respect of the whole or part of a year of assessment, an amount equal to the chargeable amount determined under paragraph 4 is to be treated as income of his chargeable to income tax.
- 4 (1) For any taxable period the chargeable amount in relation to the relevant land is the appropriate rental value (as determined under sub-paragraph (2)), less the amount of any payments which, in pursuance of any legal obligation, are made by the chargeable person during the period to the owner of the relevant land in respect of the occupation of the land by the chargeable person.

- (2) The appropriate rental value is—

$$R \times \frac{DV}{V}$$

where—

R is the rental value of the relevant land for the taxable period,

DV is—

- (a) in a case falling within paragraph 3(2)(a)(i), the value as at the valuation date of the interest in the relevant land that was disposed of as mentioned in paragraph 3(2)(b) by the chargeable person or, where the disposal was a non-exempt sale, the appropriate proportion of that value,
- (b) in a case falling within paragraph 3(2)(a)(ii), such part of the value of the relevant land at the valuation date as can reasonably be attributed to the property originally disposed of by the chargeable person or, where the original disposal was a non-exempt sale, to the appropriate proportion of that property, and
- (c) in a case falling within paragraph 3(3), such part of the value of the relevant land at the valuation date as can reasonably be attributed to the consideration provided by the chargeable person, and

V is the value of the relevant land at the valuation date.

- (3) The “rental value” of the land for the taxable period is the rent which would have been payable for the period if the property had been let to the chargeable person at an annual rent equal to the annual value.

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- (4) The disposal by the chargeable person of an interest in land is a “non-exempt sale” if (although not an excluded transaction) it was a sale of his whole interest in the property for a consideration paid in money in sterling or any other currency; and, in relation to a non-exempt sale, “the appropriate proportion” is—

$$\frac{MV - P}{MV}$$

where—

MV is the value of the interest in land at the time of the sale;

P is the amount paid.

- (5) Regulations may—
- (a) in relation to any valuation date, provide for a valuation of the relevant land or any interest in the relevant land by reference to an earlier valuation date to apply subject to any prescribed adjustments, and
  - (b) in relation to any year of assessment, provide for a determination of the rental value of the land by reference to any earlier year of assessment to apply subject to any prescribed adjustments.

- (6) In this paragraph—
- “the taxable period” means the year of assessment, or part of a year of assessment, during which paragraph 3 applies to the chargeable person;
- “the valuation date”, in relation to a taxable period, means such date as may be prescribed.

- 5 (1) For the purposes of paragraph 4 the annual value of the relevant land is the rent which might reasonably be expected to be obtained on a letting from year to year if—
- (a) the tenant undertook to pay all taxes, rates and charges usually paid by a tenant, and
  - (b) the landlord undertook to bear the costs of the repairs and insurance and the other expenses (if any) necessary for maintaining the property in a state to command that rent.
- (2) For the purposes of sub-paragraph (1) that rent—
- (a) is to be taken to be the amount that might reasonably be expected to be so obtained in respect of a letting of the land, and
  - (b) is to be calculated on the basis that the only amounts that may be deducted in respect of services provided by the landlord are amounts in respect of the cost to the landlord of providing any relevant services.
- (3) In this paragraph “relevant service” means a service other than the repair, insurance or maintenance of the premises.

#### *Chattels*

- 6 (1) This paragraph applies where—
- (a) an individual (“the chargeable person”) is in possession of, or has the use of, a chattel, whether alone or together with other persons, and

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- (b) the disposal condition or the contribution condition is met as respects the chattel.
- (2) The disposal condition is that—
- (a) at any time after 17th March 1986 the chargeable person had (whether alone or jointly with others) owned—
- (i) the chattel, or
- (ii) any other property the proceeds of the disposal of which were (directly or indirectly) applied by another person towards the acquisition of the chattel, and
- (b) the chargeable person disposed of all or part of his interest in the chattel or other property otherwise than by an excluded transaction.
- (3) The contribution condition is that at any time after 17th March 1986 the chargeable person had directly or indirectly provided, otherwise than by an excluded transaction, any of the consideration given by another person for the acquisition of—
- (a) the chattel, or
- (b) any other property the proceeds of the disposal of which were (directly or indirectly) applied by another person towards the acquisition of the chattel.
- (4) For the purposes of this paragraph, a disposition which creates a new interest in a chattel out of an existing interest in a chattel is to be taken to be a disposal of part of the existing interest.
- (5) Where this paragraph applies to a person in respect of the whole or part of a year of assessment, an amount equal to the chargeable amount determined under paragraph 7 is to be treated as income of his chargeable to income tax.
- 7 (1) For any taxable period the chargeable amount in relation to any chattel is the appropriate amount (as determined under sub-paragraph (2)), less the amount of any payments which, in pursuance of any legal obligation, are made by the chargeable person during the period to the owner of the chattel in respect of the possession or use of the chattel by the chargeable person.
- (2) The appropriate amount is—

$$N \times \frac{DV}{V}$$

where—

N is the amount of the interest that would be payable for the taxable period if interest were payable at the prescribed rate on an amount equal to the value of the chattel as the valuation date,

DV is—

- (a) in a case falling within paragraph 6(2)(a)(i), the value as at the valuation date of the interest in the chattel that was disposed of as mentioned in paragraph 6(2)(b) by the chargeable person or, where the disposal was a non-exempt sale, the appropriate proportion of that value,
- (b) in a case falling within paragraph 6(2)(a)(ii), such part of the value of the chattel at the valuation date as can reasonably be attributed to the property

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originally disposed of by the chargeable person or, where the original disposal was a non-exempt sale, to the appropriate proportion of that property, and  
 (c) in a case falling within paragraph 6(3), such part of the value of the chattel at the valuation date as can reasonably be attributed to the consideration provided by the chargeable person, and

V is the value of the chattel at the valuation date.

- (3) The disposal by the chargeable person of an interest in a chattel is a “non-exempt sale” if (although not an excluded transaction) it was a sale of his whole interest in the chattel for a consideration paid in money in sterling or any other currency; and, in relation to a non-exempt sale, “the appropriate proportion” is—

$$\frac{MV - P}{MV}$$

where—

MV is the value of the interest in the chattel at the time of the sale;

P is the amount paid.

- (4) Regulations may, in relation to any valuation date, provide for a valuation of the chattel or any interest in the chattel by reference to an earlier valuation date to apply subject to any prescribed adjustments.
- (5) In this paragraph—  
 “the taxable period” means the year of assessment, or part of a year of assessment, during which paragraph 6 applies to the chargeable person;  
 “the valuation date”, in relation to a taxable period, means such date as may be prescribed.

*Intangible property comprised in settlement where settlor retains an interest*

- 8 (1) This paragraph applies where—
- (a) the terms of a settlement, as they affect any property comprised in the settlement, are such that any income arising from the property would be treated by virtue of [F1005 section 624 of ITTOIA 2005] (income arising under settlement where settlor retains an interest) as income of a person (“the chargeable person”) who is for the purposes of [F1006 Chapter 5 of Part 5] of that Act the settlor,
  - (b) any such income would be so treated even if [F1007 section 625(1) of ITTOIA 2005 (settlor's retained interest)] did not include any reference to the spouse [F1008 or civil partner] of the settlor, and
  - (c) that property includes any property as respects which the condition in sub-paragraph (2) is met (“the relevant property”).
- (2) The condition mentioned in sub-paragraph (1)(c) is that the property is intangible property which is or represents property which the chargeable person settled, or added to the settlement, after 17th March 1986.



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- (3) Where this paragraph applies in respect of the whole or part of a year of assessment, an amount equal to the chargeable amount determined under paragraph 9 is to be treated as income of the chargeable person chargeable to income tax.
- [<sup>F1009</sup>(4) For the purpose of deciding whether the condition in sub-paragraph (1)(a) is met, ignore section 628A of ITTOIA 2005 (which provides for section 624 of that Act not to apply to certain foreign income arising under a settlement).]

#### Textual Amendments

- F1005** Words in Sch. 15 para. 8(1)(a) substituted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 1 para. 653\(3\)\(a\)\(i\)](#) (with Sch. 2)
- F1006** Words in Sch. 15 para. 8(1)(a) substituted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 1 para. 653\(3\)\(a\)\(ii\)](#) (with Sch. 2)
- F1007** Words in Sch. 15 para. 8(1)(b) substituted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 1 para. 653\(3\)\(b\)](#) (with Sch. 2)
- F1008** Words in Sch. 15 para. 8(1)(b) inserted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\), regs. 1\(1\), 179\(a\)](#)
- F1009** Sch. 15 para. 8(4) inserted (with effect in accordance with Sch. 8 para. 39 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\), Sch. 8 para. 19](#)

- 9 (1) For any taxable period the chargeable amount in relation to the relevant property is N minus T where—
- N is the amount of the interest that would be payable for the taxable period if interest were payable at the prescribed rate on an amount equal to the value of the relevant property at the valuation date, and
- T is the amount of any income tax or capital gains tax payable by the chargeable person in respect of the taxable period by virtue of any of the following provisions—
- [<sup>F1010</sup>section 461 of ITTOIA 2005],
  - [<sup>F1011</sup>section 624 of that Act],
  - [<sup>F1012</sup>c) sections 720 to 730 of the Income Tax Act 2007,]
  - section 77 of the Taxation of Chargeable Gains Act 1992 (c. 12), and
  - section 86 of that Act,
- so far as the tax is attributable to the relevant property.
- (2) Regulations may, in relation to any valuation date, provide for a valuation of the relevant property by reference to an earlier valuation date to apply subject to any prescribed adjustments.
- (3) In this paragraph—
- “the taxable period” means the year of assessment, or part of a year of assessment, during which paragraph 8 applies to the chargeable person;
- “the valuation date”, in relation to a year of assessment, means such date as may be prescribed.

#### Textual Amendments

- F1010** Words in Sch. 15 para. 9(1) substituted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 1 para. 653\(4\)\(a\)](#) (with Sch. 2)

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**F1011** Words in Sch. 15 para. 9(1) substituted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 1 para. 653\(4\)\(b\)](#) (with Sch. 2)

**F1012** Sch. 15 para. 9(1)(c) 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. 482\(3\)](#) (with Sch. 2)

### *Excluded transactions*

- 10 (1) For the purposes of paragraphs 3(2) and 6(2) (the disposal condition), the disposal of any property is an “excluded transaction” in relation to any person (“the chargeable person”) if—
- (a) it was a disposal of his whole interest in the property, except for any right expressly reserved by him over the property, either—
    - (i) by a transaction made at arm’s length with a person not connected with him, or
    - (ii) by a transaction such as might be expected to be made at arm’s length between persons not connected with each other,
  - (b) the property was transferred to his spouse <sup>F1013</sup>[or civil partner] (or where the transfer has been ordered by a court, to his former spouse <sup>F1013</sup>[or civil partner]),
  - (c) it was a disposal by way of gift (or, where the transfer is for the benefit of his former spouse <sup>F1014</sup>[or civil partner], in accordance with a court order), by virtue of which the property became settled property in which his spouse <sup>F1014</sup>[or civil partner] or former spouse <sup>F1014</sup>[or civil partner] is beneficially entitled to an interest in possession,
  - (d) the disposal was a disposition falling within section 11 of IHTA 1984 (dispositions for maintenance of family), or
  - (e) the disposal is an outright gift to an individual and is for the purposes of IHTA 1984 a transfer of value that is wholly exempt by virtue of section 19 (annual exemption) or section 20 (small gifts).
- (2) For the purposes of paragraphs 3(3) and 6(3) (the contribution condition) the provision by a person (“the chargeable person”) of consideration for another’s acquisition of any property is an “excluded transaction” in relation to the chargeable person if—
- (a) the other person was his spouse <sup>F1015</sup>[or civil partner] (or, where the transfer has been ordered by the court, his former spouse <sup>F1015</sup>[or civil partner]),
  - (b) on its acquisition the property became settled property in which his spouse <sup>F1016</sup>[or civil partner] or former spouse <sup>F1016</sup>[or civil partner] is beneficially entitled to an interest in possession,
  - (c) the provision of the consideration constituted an outright gift of money (in sterling or any other currency) by the chargeable person to the other person and was made at least seven years before the earliest date on which the chargeable person met the condition in paragraph 3(1)(a) or, as the case may be, 6(1)(a),
  - (d) the provision of the consideration is a disposition falling within section 11 of IHTA 1984 (dispositions for maintenance of family), or
  - (e) the provision of the consideration is an outright gift to an individual and is for the purposes of IHTA 1984 a transfer of value that is wholly exempt by virtue of section 19 (annual exemption) or section 20 (small gifts).

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- (3) A disposal is not an excluded transaction by virtue of sub-paragraph (1)(c) or (2)(b), if the interest in possession of the spouse [<sup>F1017</sup>or civil partner] or former spouse [<sup>F1017</sup>or civil partner] has come to an end otherwise than on the death of the spouse [<sup>F1017</sup>or civil partner] or former spouse [<sup>F1017</sup>or civil partner].

#### Textual Amendments

- F1013** Words in Sch. 15 para. 10(1)(b) inserted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **179(b)**
- F1014** Words in Sch. 15 para. 10(1)(c) inserted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **179(b)**
- F1015** Words in Sch. 15 para. 10(2)(a) inserted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **179(b)**
- F1016** Words in Sch. 15 para. 10(2)(b) inserted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **179(b)**
- F1017** Words in Sch. 15 para. 10(3) inserted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **179(b)**

#### *Exemptions from charge*

- 11 (1) Paragraph 3 (land), paragraph 6 (chattels) and paragraph 8 (intangible property) do not apply to a person at a time when his estate for the purposes of IHTA 1984 includes—
- (a) the relevant property, or
  - (b) other property—
    - (i) which derives its value from the relevant property, and
    - (ii) whose value, so far as attributable to the relevant property, is not substantially less than the value of the relevant property.
- (2) Where the estate for the purposes of IHTA 1984 of a person to whom paragraph 3, 6 or 8 applies includes property—
- (a) which derives its value from the relevant property, and
  - (b) whose value, so far as attributable to the relevant property, is substantially less than the value of the relevant property,
- the appropriate rental value in paragraph 4, the appropriate amount in paragraph 7 or the chargeable amount in paragraph 9 (as the case may be) is to be reduced by such proportion as is reasonable to take account of the inclusion of the property in his estate.
- (3) Paragraphs 3, 6 and 8 do not apply to a person at a time when—
- (a) the relevant property, or
  - (b) any other property—
    - (i) which derives its value from the relevant property, and
    - (ii) whose value, so far as attributable to the relevant property, is not substantially less than the value of the relevant property,falls within sub-paragraph (5) in relation to him.
- (4) Where any property which falls within sub-paragraph (5) in relation to a person includes property—
- (a) which derives its value from the relevant property, and

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- (b) whose value, so far as attributable to the relevant property, is substantially less than the value of the relevant property,
- the appropriate rental value in paragraph 4, the appropriate amount in paragraph 7 or the chargeable amount in paragraph 9 (as the case may be) is to be reduced by such proportion as is reasonable to take account of that fact.
- (5) Property falls within this sub-paragraph in relation to a person at a time when it—
- (a) would fall to be treated by virtue of any provision of Part 5 of the 1986 Act (inheritance tax) as property which in relation to him is property subject to a reservation,
  - (b) would fall to be so treated but for any of paragraphs (d) to (i) of subsection (5) of section 102 of the 1986 Act (certain cases where disposal by way of gift is an exempt transfer for purposes of inheritance tax),
  - (c) would fall to be so treated but for subsection (4) of section 102B of the 1986 Act (gifts with reservation: share of interest in land), or would have fallen to be so treated but for that subsection if the disposal by way of gift of an undivided share of an interest in land had been made on or after 9th March 1999, or
  - (d) would fall to be so treated but for section 102C(3) of, and paragraph 6 of Schedule 20 to, the 1986 Act (exclusion of benefit).
- (6) Where at any time the value of a person’s estate for the purposes of IHTA 1984 is reduced by an excluded liability affecting any property, that property is not to be treated for the purposes of sub-paragraph (1) or (2) as comprised in his estate except to the extent that the value of the property exceeds the amount of the excluded liability.
- (7) For the purposes of sub-paragraph (6) a liability is an excluded liability if—
- (a) the creation of the liability, and
  - (b) any transaction by virtue of which the person’s estate came to include the relevant property or property which derives its value from the relevant property or by virtue of which the value of property in his estate came to be derived from the relevant property,
- were associated operations, as defined by section 268 of IHTA 1984.
- (8) In determining whether any property falls within sub-paragraph (5)(b), (c) or (d) in a case where the contribution condition in paragraph 3(3) or 6(3) is met, paragraph 2(2)(b) of Schedule 20 (exclusion of gifts of money) is to be disregarded.
- (9) In [<sup>F1018</sup>this paragraph] “the relevant property” means—
- (a) in relation to paragraphs 3 and 6—
    - (i) where the disposal condition in paragraph 3(2) or 6(2) is met, the property disposed of,
    - (ii) where the contribution condition in paragraph 3(3) or 6(3) is met, the property representing the consideration directly or indirectly provided,
  - (b) in relation to paragraph 8, the relevant property within the meaning of that paragraph.
- (10) Property is not to be treated as falling within sub-paragraph (5)(b) at any time in a case falling within section 102(5)(h) of the 1986 Act unless the property remains

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subject to trusts which comply with the requirements of paragraph 3 (1) of Schedule 4 to IHTA 1984.

[<sup>F1019</sup>(11) Sub-paragraph (12) applies where at any time—

- (a) the relevant property has ceased to be comprised in a person's estate for the purposes of IHTA 1984, or
- (b) he has directly or indirectly provided any consideration for the acquisition of the relevant property,

and at any subsequent time the relevant property or any derived property is comprised in his estate for the purposes of IHTA 1984 as a result of section 49(1) of that Act (treatment of interests in possession).

(12) Where this sub-paragraph applies, the relevant property and any derived property—

- (a) are not to be treated for the purposes of sub-paragraphs (1) and (2) as comprised in his estate at that subsequent time, and
- (b) are not to be treated as falling within sub-paragraph (5) in relation to him at that subsequent time.

(13) For the purposes of sub-paragraphs (11) and (12) references, in relation to the relevant property, to any derived property are to other property—

- (a) which derives its value from the relevant property, and
- (b) whose value, so far as attributable to the relevant property, is not substantially less than the value of the relevant property.]

#### Textual Amendments

**F1018** Words in Sch. 15 para. 11(9) substituted (retrospective and with effect in accordance with s. 80(5) of the amending Act) by [Finance Act 2006 \(c. 25\), s. 80\(2\)\(a\)\(8\)](#)

**F1019** Sch. 15 para. 11(11)-(13) inserted (retrospective and with effect in accordance with s. 80(5) of the amending Act) by [Finance Act 2006 \(c. 25\), s. 80\(2\)\(b\)\(8\)](#)

#### *Chargeable person resident or domiciled outside the United Kingdom*

- 12 (1) This Schedule does not apply in relation to any person for any year of assessment during which he is not resident in the United Kingdom.
- (2) Where in any year of assessment a person is resident in the United Kingdom but is domiciled outside the United Kingdom, this Schedule does not apply to him unless the property falling within paragraph 3(1)(a), 6(1)(a) or 8(1)(c) is situated in the United Kingdom.
- (3) In the application of this Schedule to a person who was at any time domiciled outside the United Kingdom, no regard is to be had to any property which is for the purposes of IHTA 1984 excluded property in relation to him by virtue of section 48(3)(a) of that Act.
- (4) For the purposes of this paragraph, a person is to be treated as domiciled in the United Kingdom at any time only if he would be so treated for the purposes of IHTA 1984.

#### *Exemption in cases where aggregate notional annual values do not exceed £5,000*

- 13 (1) This paragraph applies where, in relation to any person who would (apart from this paragraph) be chargeable under this Schedule for any year of assessment, the

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aggregate of the amounts specified in sub-paragraph (2) in respect of that year does not exceed £5,000.

- (2) Those amounts are—
- (a) in relation to any land to which paragraph 3 applies in respect of him, the appropriate rental value as determined under paragraph 4(2),
  - (b) in relation to any chattel to which paragraph 6 applies in respect of him, the appropriate amount as determined under paragraph 7(2), and
  - (c) in relation to any intangible property to which paragraph 8 applies in respect of him, the chargeable amount determined under paragraph 9.
- (3) Where this paragraph applies, the person is not chargeable for that year of assessment under any of the following provisions—
- (a) paragraph 3(5) (land),
  - (b) paragraph 6(5) (chattels), or
  - (c) paragraph 8(3) (intangible property).

*Power of Treasury to confer further exemptions by regulations*

- 14 Regulations may confer further exemptions from the charges to income tax imposed by paragraphs 3, 6 and 8.

*Valuation*

- 15 Except as otherwise provided by this Schedule, the value of any property shall for the purposes of this Schedule be the price which the property might reasonably be expected to fetch if sold in the open market at that time; but that price shall not be assumed to be reduced on the ground that the whole property is to be placed on the market at one and the same time.

*Changes in distribution of deceased's estate*

- 16 Any disposition made by a person (“the chargeable person”) in relation to an interest in the estate of a deceased person is to be disregarded for the purposes of this Schedule if by virtue of section 17 of IHTA 1984 (changes in distribution of deceased's estate, etc.) the disposition is not treated for the purposes of inheritance tax as a transfer of value by the chargeable person.

*Guarantees*

- 17 Where a person (“A”) acts as guarantor in respect of a loan made to another person (“B”) by a third party in connection with B's acquisition of any property, the mere giving of the guarantee is not to be regarded as the provision by A of consideration for B's acquisition of the property.

*Persons chargeable under different provisions by reference to same property*

- 18 (1) Where, in any year of assessment, a person (“the chargeable person”) is (apart from this paragraph) chargeable to income tax both—
- (a) under paragraph 3 (land) or paragraph 6 (chattels) by reason of his occupation of any land or his possession or use of any chattel, and

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(b) under paragraph 8 (intangible property) by reference to any intangible property which derives its value (whether in whole or part) from the land or the chattel,

he is to be charged to income tax under whichever provision produces the higher chargeable amount in relation to him.

(2) Where sub-paragraph (1) applies, only the amount under the paragraph under which he is chargeable is to be taken into account in relation to the chargeable person for the purposes of paragraph 13(2).

*Relationship with Part 3 of Income Tax (Earnings and Pensions) Act 2003*

19 Where, in any year of assessment, a person is (apart from this paragraph) chargeable, in respect of his occupation of any land or his possession or use of any chattel, to income tax both—

(a) under this Schedule, and

(b) under Part 3 of the Income Tax (Earnings and Pensions) Act 2003 (c. 1),

the provisions of that Part shall have priority and he shall not be chargeable to income tax under this Schedule, except to the extent that the amount chargeable under this Schedule exceeds the amount to be treated as earnings under that Part.

*Regulations*

20 (1) Regulations under this Schedule may—

(a) make different provision for different cases, and

(b) include transitional provisions and savings.

(2) Any power conferred by this Schedule to prescribe a rate of interest includes power—

(a) to prescribe different rates in relation to property of different descriptions, and

(b) to prescribe a rate by reference to a rate specified in the regulations.

*Election for application of inheritance tax provisions*

21 (1) This paragraph applies where—

(a) a person (“the chargeable person”) would (apart from this paragraph) be chargeable under paragraph 3 (land) or paragraph 6 (chattels) for any year of assessment (“the initial year”) by reference to his enjoyment of any property (“the relevant property”), and

(b) he has not been chargeable under the paragraph in question in respect of any previous year of assessment by reference to his enjoyment of the relevant property, or of any other property for which the relevant property has been substituted.

(2) The chargeable person may elect in accordance with paragraph 23 that—

(a) the preceding provisions of this Schedule shall not apply to him during the initial year and subsequent years of assessment by reference to his enjoyment of the relevant property or of any property which may be substituted for the relevant property, but

(b) so long as the chargeable person continues to enjoy the relevant property or any property which is substituted for the relevant property—

*Status: Point in time view as at 18/02/2021.*

*Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Finance Act 2004. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details)*

- (i) the chargeable proportion of the property is to be treated for the purposes of Part 5 of the 1986 Act (in relation to the chargeable person) as property subject to a reservation<sup>F1020</sup>, but only so far as the chargeable person is not beneficially entitled to an interest in possession in the property]
- <sup>F1021</sup>(ii) section 102(3) and (4) of that Act shall apply, but only so far as the chargeable person is not beneficially entitled to an interest in possession in the property, and
- (iii) if the chargeable person is beneficially entitled to an interest in possession in the property, sections 53(3) and (4) and 54 of IHTA 1984 (which deal with cases of property reverting to the settlor etc) shall not apply in relation to the chargeable proportion of the property.]
- (3) In this paragraph, “the chargeable proportion”, in relation to any property, means—

$$\frac{DV}{V}$$

where DV and V are to be read in accordance with paragraph 4(2) or 7(2), as the case requires, but as if—

- (a) any reference in paragraph 4(2) or 7(2) to the valuation date were a reference—
- (i) in the case of property falling within subsection (3) of section 102 of the Finance Act 1986, to the date of the death of the chargeable person, and
- (ii) in the case of property falling within subsection (4) of that section, to the date on which the property ceases to be treated as property subject to a reservation, and
- <sup>F1022</sup>(iii) in the case of property in which the chargeable person is beneficially entitled to an interest in possession, to the date of his death or (if his interest comes to an end on an earlier date) that earlier date, and]
- (b) the transactions to be taken into account in calculating DV included transactions after the time when the election takes effect as well as transactions before that time.
- (4) For the purposes of this paragraph a person “enjoys” property if—
- (a) in the case of an interest in land, he occupies the land, and
- (b) in the case of an interest in a chattel, he is in possession of, or has the use of, the chattel.

#### Textual Amendments

**F1020** Words in Sch. 15 para. 21(2)(b)(i) inserted (retrospective and with effect in accordance with s. 80(5) of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [s. 80\(3\)\(a\)\(8\)](#)

**F1021** Sch. 15 para. 21(2)(b)(ii)(iii) substituted for Sch. 15 para. 21(2)(b)(ii) (retrospective and with effect in accordance with s. 80(5) of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [s. 80\(3\)\(b\)\(8\)](#)

**F1022** Sch. 15 para. 21(3)(a)(iii) inserted (retrospective and with effect in accordance with s. 80(5) of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [s. 80\(3\)\(c\)\(8\)](#)



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- (a) a person (“the chargeable person”) would (apart from this paragraph) be chargeable under paragraph 8 (intangible property) for any year of assessment (“the initial year”) by reference to any property (“the relevant property”), and
  - (b) he has not been chargeable under that paragraph in respect of any previous year of assessment by reference to the relevant property or any property which the relevant property represents or is derived from.
- (2) The chargeable person may elect in accordance with paragraph 23 that—
- (a) the preceding provisions of this Schedule shall not apply to him during the initial year and subsequent years of assessment by reference to the relevant property or any property which represents or is derived from the relevant property, but
  - (b) so long as the conditions in sub-paragraph (3) are satisfied—
    - (i) the relevant property and any property which represents or is derived from the relevant property shall be treated for the purposes of Part 5 of the 1986 Act (in relation to the chargeable person) as property subject to a reservation<sup>F1023</sup>, but only so far as the chargeable person is not beneficially entitled to an interest in possession in the property concerned]
    - <sup>F1024</sup>(ii) section 102(3) and (4) of that Act shall apply, but only so far as the chargeable person is not beneficially entitled to an interest in possession in the property concerned, and
    - (iii) if the chargeable person is beneficially entitled to an interest in possession in the property concerned, sections 53(3) and (4) and 54 of IHTA 1984 (which deal with cases of property reverting to the settlor etc) shall not apply in relation to that property.]
- (3) The conditions referred to in sub-paragraph (2)(b) are—
- (a) that the relevant property or the property which represents or is derived from the relevant property remains comprised in the settlement, and
  - (b) that any income arising under the settlement would be treated by virtue of <sup>F1025</sup>section 624 of ITTOIA 2005] as income of the chargeable person.

#### Textual Amendments

**F1023** Words in Sch. 15 para. 22(2)(b)(i) inserted (retrospective and with effect in accordance with s. 80(5) of the amending Act) by [Finance Act 2006 \(c. 25\), s. 80\(4\)\(a\)\(8\)](#)

**F1024** Sch. 15 para. 22(2)(b)(ii)(iii) substituted for Sch. 15 para. 22(2)(b)(ii) (retrospective and with effect in accordance with s. 80(5) of the amending Act) by [Finance Act 2006 \(c. 25\), s. 80\(4\)\(b\)\(8\)](#)

**F1025** Words in Sch. 15 para. 22(3)(b) substituted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 1 para. 653\(5\)](#) (with Sch. 2)

- 23 (1) In this paragraph—
- “election” means an election under paragraph 21 or 22;
  - “the relevant filing date” means 31st January in the year of assessment that immediately follows the initial year within the meaning of paragraph 21 or (as the case requires) paragraph 22.
- (2) The election must be made in the prescribed manner.
- <sup>F1026</sup>(3) The election must be made on or before—

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- (a) the relevant filing date, or
  - (b) such later date as an officer of Revenue and Customs may, in a particular case, allow.]
- (5) The election may be withdrawn or amended, during the life of the chargeable person, at any time on or before the relevant filing date.
- (6) Subject to sub-paragraph (5), the election takes effect for the purposes of inheritance tax from the beginning of the initial year within the meaning of paragraph 21 or (as the case requires) paragraph 22 or, if later, the date on which the chargeable person would (but for the election) have first become chargeable under this Schedule by reference to the property to which the election relates.

#### Textual Amendments

**F1026**Sch. 15 para. 23(3) substituted for Sch. 15 para. 23(3)(4) (retrospective to 21.3.2007) by [Finance Act 2007 \(c. 11\)](#), s. 66(1)(2)

## SCHEDULE 16

Section 85

### RELIEF WHERE NATIONAL INSURANCE CONTRIBUTIONS MET BY EMPLOYEE

#### *Income tax relief: restricted securities*

- 1 (1) Chapter 2 of Part 7 of the Income Tax (Earnings and Pensions) Act 2003 (c. 1) (employment income: restricted securities) is amended as follows.
- (2) In section 426 (charge on occurrence of chargeable event), for subsections (1) to (4) substitute—
- “(1) If a chargeable event occurs in relation to the employment-related securities, the taxable amount counts as employment income of the employee for the relevant tax year.
- (2) For this purpose—
- (a) “chargeable event” has the meaning given by section 427,
  - (b) “the taxable amount” is the amount determined under section 428, and
  - (c) “the relevant tax year” is the tax year in which the chargeable event occurs.
- (3) Relief may be available under section 428A (relief for secondary Class 1 contributions met by employee) against an amount counting as employment income under this section.”.
- (3) After section 428 insert—

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#### **“428A Relief for secondary Class 1 contributions met by employee**

- (1) Relief is available under this section against an amount counting as employment income under section 426 (“the employment income amount”) if—
  - (a) an agreement having effect under paragraph 3A of Schedule 1 to the Contributions and Benefits Act has been entered into allowing the secondary contributor to recover from the employee the whole or part of any secondary Class 1 contribution in respect of that amount, or
  - (b) an election having effect under paragraph 3B of that Schedule is in force which has the effect of transferring to the employee the whole or part of the liability to pay secondary Class 1 contributions in respect of that amount.
- (2) The amount of the relief is the total of—
  - (a) any amount that under the agreement referred to in subsection (1) (a) is recovered in respect of the employment income amount by the secondary contributor before 5th June in the tax year following that in which the chargeable event occurs, and
  - (b) the amount of any liability in respect of the employment income amount that, by virtue of the election referred to in subsection (1) (b), has become the employee’s liability.
- (3) If notice of withdrawal of approval of the election is given, the amount of the liability referred to in subsection (2)(b) is limited to the amount met before 5th June in the tax year following that in which the chargeable event occurs.
- (4) Relief under this section is given by way of deduction from the amount otherwise counting as employment income.
- (5) Relief under this section does not affect the amount to be taken into account—
  - (a) as employment income in determining contributions payable under the Contributions and Benefits Act, or
  - (b) as relevant employment income for the purposes of paragraph 3A or 3B of Schedule 1 to that Act.
- (6) In this section—

“approval”, in relation to an election, means approval by the Inland Revenue under paragraph 3B of Schedule 1 to the Contributions and Benefits Act, and

“secondary contributor” has the same meaning as in that Act (see section 7).”.

#### **Commencement Information**

**I144** Sch. 16 para. 1 in force at 1.9.2004 by [S.I. 2004/1945](#), [art. 2](#)

*Status: Point in time view as at 18/02/2021.*

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*Income tax relief: convertible securities*

- 2 (1) Chapter 3 of Part 7 of the Income Tax (Earnings and Pensions) Act 2003 (c. 1) (employment income: convertible securities) is amended as follows.
- (2) In section 438 (charge on occurrence of chargeable event), for subsections (1) to (4) substitute—
- “(1) If a chargeable event occurs in relation to the employment-related securities, the taxable amount counts as employment income of the employee for the relevant tax year.
- (2) For this purpose—
- (a) “chargeable event” has the meaning given by section 439,
- (b) “the taxable amount” is the amount determined under section 440, and
- (c) “the relevant tax year” is the tax year in which the chargeable event occurs.
- (3) Relief may be available under section 442A (relief for secondary Class 1 contributions met by employee) against an amount counting as employment income under this section.”.
- (3) After section 442 insert—

**“442A Relief for secondary Class 1 contributions met by employee**

- (1) Relief is available under this section against an amount counting as employment income under section 438 (“the employment income amount”) if—
- (a) an agreement having effect under paragraph 3A of Schedule 1 to the Contributions and Benefits Act has been entered into allowing the secondary contributor to recover from the employee the whole or part of any secondary Class 1 contribution in respect of that amount, or
- (b) an election having effect under paragraph 3B of that Schedule is in force which has the effect of transferring to the employee the whole or part of the liability to pay secondary Class 1 contributions in respect of that amount.
- (2) The amount of the relief is the total of—
- (a) any amount that under the agreement referred to in subsection (1) (a) is recovered in respect of the employment income amount by the secondary contributor before 5th June in the tax year following that in which the chargeable event occurs, and
- (b) the amount of any liability in respect of the employment income amount that, by virtue of the election referred to in subsection (1) (b), has become the employee’s liability.
- (3) If notice of withdrawal of approval of the election is given, the amount of the liability referred to in subsection (2)(b) is limited to the amount met before 5th June in the tax year following that in which the gain is realised.
- (4) Relief under this section is given by way of deduction from the amount otherwise counting as employment income.

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- (5) Relief under this section does not affect the amount to be taken into account—
- (a) as employment income in determining contributions payable under the Contributions and Benefits Act, or
  - (b) as relevant employment income for the purposes of paragraph 3A or 3B of Schedule 1 to that Act.
- (6) In this section—
- “approval”, in relation to an election, means approval by the Inland Revenue under paragraph 3B of Schedule 1 to the Contributions and Benefits Act, and
  - “secondary contributor” has the same meaning as in that Act (see section 7).”.

#### Commencement Information

**I145** Sch. 16 para. 2 in force at 1.9.2004 by [S.I. 2004/1945](#), [art. 2](#)

#### *Income tax relief: securities options*

- 3 (1) Chapter 5 of Part 7 of the Income Tax (Earnings and Pensions) Act 2003 (c. 1) (employment income: securities options) is amended as follows.
- (2) In section 476 (charge on occurrence of chargeable event), for subsections (1) to (4) substitute—
- “(1) If a chargeable event occurs in relation to an employment-related securities option, the taxable amount counts as employment income of the employee for the relevant tax year.
  - (2) For this purpose—
    - (a) “chargeable event” has the meaning given by section 477,
    - (b) “the taxable amount” is the amount determined under section 478, and
    - (c) “the relevant tax year” is the tax year in which the chargeable event occurs.
  - (3) Relief under section 481 or 482 (relief for secondary Class 1 contributions or special contribution met by employee) may be available against an amount counting as employment income under this section.”.
- (3) In section 480 (deductible amounts), omit subsection (7).
- (4) In section 481 (deductible amount in respect of secondary Class 1 contributions met by employee)—
- (a) in the heading for “**Deductible amount in respect of**” substitute “**Relief for**”;
  - (b) in subsection (1) for the opening words down to “if” substitute “Relief is available under this section against an amount counting as employment income under section 476 if”;
  - (c) in subsection (2) for the opening words down to “of” substitute “The amount of the relief is the total of”;

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- (d) after subsection (4) insert—
- “(4A) Relief under this section is given by way of deduction from the amount otherwise counting as employment income.
- (4B) Relief under this section does not affect the amount to be taken into account—
- (a) as employment income in determining contributions payable under the Contributions and Benefits Act, or
- (b) as relevant employment income for the purposes of paragraph 3A or 3B of Schedule 1 to that Act.”.
- (5) In section 482 (deductible amount in respect of special contribution met by employee)—
- (a) in the heading for “**Deductible amount in respect of**” substitute “**Relief for**”;
- (b) in subsection (1) for the opening words down to “if” substitute “Relief is available under this section against an amount counting as employment income under section 476 if”;
- (c) after subsection (5) add—
- “(6) The amount of the relief is the amount of the liability referred to in subsection (4).
- (“) Relief under this section is given by way of deduction from the amount otherwise counting as employment income.”.

**Commencement Information**

**I146** Sch. 16 para. 3 in force at 1.9.2004 by [S.I. 2004/1945, art. 2](#)

*Consequential amendments: PAYE*

- 4 (1) Part 11 of the Income Tax (Earnings and Pensions) Act 2003 (c. 1) (Pay As You Earn) is amended as follows.
- (2) In section 698 (PAYE: special charges on employment-related securities), after subsection (2) insert—
- “(2A) For the purposes of this section the amount likely to count as employment income under section 426 or 438 means the amount after deducting the amount of any relief likely to be available under section 428A or 442A (relief for secondary Class 1 contributions met by employee).”.
- (3) In section 700 (PAYE: gains from securities options), after subsection (4) insert—
- “(4A) For the purposes of this section the amount likely to count as employment income under section 476 means the amount after deducting the amount of any relief likely to be available under section 481 or 482 (relief for secondary Class 1 contributions or special contribution met by employee).”.

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#### Commencement Information

**I147** Sch. 16 para. 4 in force at 1.9.2004 by [S.I. 2004/1945](#), [art. 2](#)

#### *Consequential amendments: corporation tax relief*

**F10275** .....

#### Textual Amendments

**F1027**[Sch. 16 para. 5](#) repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 3 Pt. 1](#) (with [Sch. 2 Pts. 1, 2](#))

#### *Consequential amendments: capital gains tax*

- 6 (1) Section 119A of the Taxation of Chargeable Gains Act 1992 (c. 12) (increase in expenditure by reference to tax charged in relation to employment-related securities) is amended as follows.
- (2) For subsection (5) (determination of relevant amount) substitute—
- “(5) In determining for the purposes of subsection (4) the amount counting as employment income—
- (a) in the case of an amount counting as employment income under section 476 of ITEPA 2003 any amounts deducted under section 480(5)(a) or (b) of that Act shall be added back, and
- (b) no account shall be taken of any relief under section 428A, 442A, 481 or 482 of that Act (relief for secondary Class 1 contributions or special contribution met by employee).”.
- (3) Omit subsection (8).
- (4) Nothing in this paragraph affects the operation of section 119A(5) of the Taxation of Chargeable Gains Act 1992 (c. 12), as inserted by paragraph 50 (1) of Schedule 22 to the Finance Act 2003 (c. 14), in relation to amounts deducted under section 481 or 482 of the Income Tax (Earnings and Pensions) Act 2003 (c. 1) before the amendment of those sections by this Schedule.

#### Commencement Information

**I148** Sch. 16 para. 6 in force at 1.9.2004 by [S.I. 2004/1945](#), [art. 2](#)

#### *Other consequential amendments*

- 7 (1) In section 484(7) of the Income Tax (Earnings and Pensions) Act 2003 (definitions for Chapter 5 of Part 7), omit the definition of “the Contributions and Benefits Act” and the word “and” preceding it.
- (2) In section 721 (1) of that Act (general definitions), at the appropriate place insert—

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““the Contributions and Benefits Act” means SSCBA 1992 or SSCB(NI)A 1992;”.

- (3) In Part 2 of Schedule 1 to that Act (index of defined expressions), for the entry relating to “the Contributions and Benefits Act” substitute—

“the Contributions and Benefits Act                                      section 721(1)”

**Commencement Information**  
**I149** Sch. 16 para. 7 in force at 1.9.2004 by S.I. 2004/1945, art. 2

SCHEDULE 17 Section 92

MINOR AMENDMENTS OF OR CONNECTED WITH THE  
INCOME TAX (EARNINGS AND PENSIONS) ACT 2003

*Free or subsidised meals*

- 1 (1) In Chapter 11 of Part 4 of the Income Tax (Earnings and Pensions) Act 2003 (employment income: miscellaneous exemptions), in section 317 (free or subsidised meals), for subsection (1) substitute—  

“(1) No liability to income tax arises in respect of the provision for an employee by the employer of free or subsidised meals if they are provided—  
    (a) in a canteen, or  
    (b) on the employer’s business premises,  
and conditions A to C are met.”.

- (2) This amendment has effect for the year 2004-05 and subsequent tax years.

*Payments to non-approved pension schemes: exception for  
employment where earnings not within main charging provisions*

F1028<sub>2</sub> .....

**Textual Amendments**  
**F1028**Sch. 17 para. 2 repealed (6.4.2006) by Finance Act 2004 (c. 12), Sch. 42 Pt. 3 Note (with Sch. 36)

*Time limit for assessment: income received after year for which it is assessable*

- 3 (1) In Part 4 of the Taxes Management Act 1970 (c. 9) (assessments and claims), for section 35 (time limit for assessment: emoluments received after year for which they are assessable) substitute—



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**“35 Time limit: income received after year for which it is assessable**

- (1) Where income to which this section applies is received in a year of assessment subsequent to that for which it is assessable, an assessment to income tax as respects that income may be made at any time within six years after the year of assessment in which it was received.
- (2) This section applies to—
  - (a) employment income,
  - (b) pension income, and
  - (c) social security income.”.
- (2) This amendment has effect in relation to income assessable for the year 2004-05 and subsequent years of assessment.

*Computation of profits or gains under Schedule D: delayed payment of remuneration*

F1029 4 . . . . .

**Textual Amendments**

**F1029**Sch. 17 para. 4 repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), **Sch. 3 Pt. 1** (with [Sch. 2 Pts. 1, 2](#))

*Donations to charity by individuals: application to Crown employment*

- 5 (1) In section 25(2) of the Finance Act 1990 (c. 29) (donations to charity by individuals: qualifying conditions), in paragraph (i)(i) for the words from “or performs duties” to “performed in the United Kingdom” substitute “ or is in Crown employment as defined in section 28(2) of the Income Tax (Earnings and Pensions) Act 2003 ”.
- (2) This amendment (which supersedes the amendment made by paragraph 166(3) of Schedule 6 to the Income Tax (Earnings and Pensions) Act 2003) has effect for the year 2003-04 and subsequent years of assessment.

*Payments on account of income tax*

- 6 (1) Section 108 of the Finance Act 1995 (c. 4) shall be deemed not to have been repealed by Part 1 of Schedule 8 to the Income Tax (Earnings and Pensions) Act 2003 and the inclusion of that section among the enactments so repealed shall be deemed not to have affected the amendments made by that section in section 59A of the Taxes Management Act 1970 (c. 9) (payments on account of income tax).
- (2) Nothing in this paragraph affects anything done—
  - (a) on or after 6th April 2003 (when the Income Tax (Earnings and Pensions) Act 2003 came into force), and
  - (b) before the passing of this Act,in reliance on the view that the amendments referred to in sub-paragraph (1) had ceased to have effect.

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*Tax relief for expenditure on R&D or remediation of contaminated land: staff costs*

F10307 .....

**Textual Amendments**  
**F1030** Sch. 17 para. 7 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), Sch. 3 Pt. 1 (with Sch. 2 Pts. 1, 2)

*Gains and losses of a company from intangible fixed assets: delayed payment of remuneration*

F10318 .....

**Textual Amendments**  
**F1031** Sch. 17 para. 8 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), Sch. 3 Pt. 1 (with Sch. 2 Pts. 1, 2)

*Minor corrections of the Income Tax (Earnings and Pensions) Act 2003*

- 9 (1) The Income Tax (Earnings and Pensions) Act 2003 (c. 1) is amended as follows.
- (2) In section 286 (power to amend sections 279 to 285), in the heading and in subsection (1), for “279” substitute “ 277 ”.
- (3) In Chapter 11 of Part 7 (supplementary provisions about employee benefit trusts), in section 554(1)(a) (attribution of further interest in company), for “employment” substitute “ employee ”.
- (4) In section 577 (United Kingdom social security pensions)—
- (a) in subsection (2), in paragraph (b) of the definition of “state pension”, for “48” substitute “ 48A ”, and
  - (b) omit subsection (3).
- (5) In section 677 (UK social security benefits wholly exempt from income tax), in Part 2 of Table B (benefits payable under regulations), omit the entry relating to compensation payments where child support reduced because of a change in legislation.

*Other minor corrections*

10<sup>F1032</sup>(1) .....

<sup>F1033</sup>(2) .....

- (3) In section 38(9) of the Finance Act 1988 (c. 39) (maintenance payments under existing obligations: 1989-90 onwards)—
- (a) for “68(1)(b) or 192(3)” substitute “or 68(1)(b)”, and
  - (b) after “Taxes Act 1988” insert “or section 355 of the Income Tax (Earnings and Pensions) Act 2003”.

<sup>F1034</sup>(4) .....

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**Textual Amendments**

- F1032**Sch. 17 para. 10(1) repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with [Sch. 2](#))
- F1033**Sch. 17 para. 10(2) repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))
- F1034**Sch. 17 para. 10(4) repealed (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), [Sch. 42 Pt. 3](#) Note (with [Sch. 36](#))

SCHEDULE 18

Section 93

ENTERPRISE INVESTMENT SCHEME

<sup>F1035</sup>**PART 1**

INCOME TAX RELIEF

**Textual Amendments**

- F1035**Sch. 18 Pt. 1 repealed (with effect in accordance with s. 1034(1)(3) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 3 Pt. 2](#) (with [Sch. 2](#))

**PART 2**

DEFERRAL RELIEF

- 12 Schedule 5B to the Taxation of Chargeable Gains Act 1992 (c. 12) (enterprise investment scheme: re-investment) is amended as follows.
- 13 (1) In paragraph 1(2) (definition of qualifying investment)—
  - (a) in paragraph (a), omit “wholly in cash”,
  - (b) after that paragraph insert—
    - “(aza) he subscribed for the shares (other than any of them which are bonus shares) wholly in cash”,
  - (c) in paragraph (c), for the words from “are fully” to “future date)” substitute “(other than any of them which are bonus shares) are fully paid up”,
  - (d) in paragraph (e), after “Act” insert “(read with section 289(1B) to (1E) of that Act)”,
  - (e) in paragraph (f), for “all the shares comprised in the issue” substitute “the shares (other than any of them which are bonus shares)”,
  - <sup>F1036</sup>(f) .....
- (2) After paragraph 1(4) of that paragraph insert—

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“(5) Shares are not fully paid up for the purposes of sub-paragraph (2)(c) above if there is any undertaking to pay cash to any person at a future date in respect of the acquisition of the shares.”.

#### Textual Amendments

**F1036** Sch. 18 para. 13(1)(f) omitted (with effect in accordance with Sch. 8 para. 11 of the amending Act) by virtue of Finance Act 2009 (c. 10), Sch. 8 para. 10(b)

- 14 In paragraph 1A (failure of conditions of application)—
- (a) in sub-paragraph (1), after “the shares” insert “ mentioned in sub-paragraph (2)(a) of that paragraph ”,
  - (b) in sub-paragraph (2), after “the shares” insert “ mentioned in sub-paragraph (2)(a) of that paragraph ”,
  - (c) in sub-paragraph (3), for “an issue of eligible shares,” substitute “ the shares mentioned in sub-paragraph (2)(a) of that paragraph, ”,
  - (d) in sub-paragraph (4), for “an issue of eligible shares, the shares” substitute “ the issue of eligible shares, the shares mentioned in sub-paragraph (2)(a) of that paragraph ”,
  - (e) in sub-paragraph (5)(b), after “the shares” insert “ mentioned in paragraph 1(2)(a) above ”.
- 15 (1) In paragraph 10 (re-investment in same company, etc)—
- (a) in sub-paragraph (1), for “other securities” substitute “ securities ”,
  - (b) after sub-paragraph (3) insert—
 

“(4) In this paragraph “group of companies” means a company which has one or more 51 per cent. subsidiaries, together with those subsidiaries.”.
- (2) The amendments made by this paragraph have effect, for the purposes of paragraph 10 (1) of Schedule 5B to the Taxation of Chargeable Gains Act 1992 (c. 12), in relation to holdings of shares or securities disposed of on or after 17th March 2004.
  - (3) The amendment made by sub-paragraph (1)(b) has effect, for the purposes of paragraph 10(2) of that Schedule, in relation to eligible shares in a relevant company issued on or after 17th March 2004.
- 16 (1) In paragraph 13 (value received by investor) in sub-paragraph (2)(b)(i), for “on which he subscribed for the shares” substitute “ of issue of the shares ”.
- (2) Subject to sub-paragraph (3), the amendment made by this paragraph has effect in relation to shares issued on or after 17th March 2004.
  - (3) The amendment made by this paragraph does not have effect in relation to the repayment of a debt incurred before 17th March 2004 if—
    - (a) the shares were subscribed for before that date, and
    - (b) the debt was incurred on or after the date on which the shares were subscribed for.
- 17 (1) In paragraph 14 (value received by other persons) in sub-paragraph (7), for “paragraph 14AA” substitute “ paragraphs 14AA and 14A ”.

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- (2) The amendment made by this paragraph has effect in relation to any repayment (within the meaning of paragraph 14A of Schedule 5B to the Taxation of Chargeable Gains Act 1992 (c. 12)) made on or after 17th March 2004.
- 18 (1) In paragraph 14A (certain receipts to be disregarded for the purposes of paragraph 14) in sub-paragraph (6), omit paragraph (a).
- (2) The amendment made by this paragraph has effect in relation to any repayment (within the meaning of paragraph 14A of Schedule 5B to the Taxation of Chargeable Gains Act 1992) made on or after 17th March 2004.
- 19 (1) In paragraph 16 (information)—
- (a) in sub-paragraph (6), for “293(8) or 308(2)(e)” substitute “ 289(1D) or (9) (e), 289A(8)(b) or (8A), 293(4B), (6) or (8) or 308(2)(e), (3), (3A) or (4) ”,
- (b) in sub-paragraph (7)—
- (i) in paragraph (a), after “above” insert “ or section 293(4B) or (6) of the Taxes Act ”,
- (ii) after paragraph (a) insert—
- “(aa) in relation to section 289(1D), 289A(8)(b) or (8A) or 308(3), (3A) or (4) of the Taxes Act, the claimant, the company, any other company in question and any person controlling the company or any other company in question;”,
- (iii) in paragraph (c), after “section” insert “ 289(9)(e), ”,
- (iv) in the full-out words at the end, for “(a)” substitute “ (a), (aa) ”,
- (c) after sub-paragraph (7) insert—
- “(7A) The references in sub-paragraphs (6) and (7) above to subsections (3), (3A) and (4) of section 308 of the Taxes Act are to be read as including those provisions as applied by section 289(10) and (11) of that Act.”.
- (2) The amendments made by this paragraph have effect in relation to any notice given after the passing of this Act in respect of shares issued on or after 17th March 2004.
- 20 (1) In paragraph 19 (1) (interpretation)—
- (a) before the definition of “arrangements” insert—
- ““51 per cent. subsidiary” has the meaning given by section 838 of the Taxes Act;”,
- (b) after the definition of “associate” insert—
- ““bonus shares” means shares which are issued otherwise than for payment (whether in cash or otherwise);”.
- (2) The amendment made by sub-paragraph (1)(a) has effect in relation to shares issued on or after 17th March 2004, except that, for the purposes of the amendment made by sub-paragraph (1)(b) of paragraph 15 of this Schedule, it has effect in accordance with sub-paragraphs (2) and (3) of that paragraph.

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### PART 3

#### COMMENCEMENT

- 21 Except where otherwise provided, the amendments made by this Schedule have effect in relation to shares issued on or after 17th March 2004.

### SCHEDULE 19

Section 94

#### VENTURE CAPITAL TRUSTS

#### <sup>F1037</sup>PART 1

#### INCREASE IN RELIEF ON INVESTMENTS AND DISTRIBUTIONS

##### Textual Amendments

**F1037**Sch. 19 Pt. 1 repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

### PART 2

#### ABOLITION OF DEFERRAL RELIEF

##### *Main amendments*

- 4 Section 151A(3) of the Taxation of Chargeable Gains Act 1992 (c. 12) (which introduces Schedule 5C) shall cease to have effect.
- 5 Schedule 5C to that Act (venture capital trusts: deferred charge on re-investment) shall cease to have effect.

##### *Consequential amendment*

- 6 (1) The Taxation of Chargeable Gains Act 1992 is amended as follows.
- (2) In paragraph 2(4) of Schedule 5B (enterprise investment scheme: re-investment) omit “or Schedule 5C”.

##### *Commencement*

- 7 (1) The amendments made by this Part have effect in relation to shares issued on or after 6th April 2004 which are shares by reference to which an individual is given relief under Part 1 of Schedule 15B to the Taxes Act 1988.
- (2) But nothing in this Act affects the continuing operation of Schedule 5C to the Taxation of Chargeable Gains Act 1992 (c. 12) for the purposes of section 151B(8)(b)(ii) of that Act.

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<sup>F1038</sup>**PART 3**

MISCELLANEOUS

**Textual Amendments**

**F1038**Sch. 19 Pt. 3 repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

SCHEDULE 20

Section 95

CORPORATE VENTURING SCHEME

- 1 Schedule 15 to the Finance Act 2000 (c. 17) (the corporate venturing scheme) is amended as follows.
- 2 In paragraph 3 (meaning of “the qualification period”)—
  - (a) in sub-paragraph (1)(b)(ii), and
  - (b) in sub-paragraph (2)(a) and (b),for “qualifying subsidiaries” substitute “qualifying 90% subsidiaries”.
- 3 In paragraph 15 (introduction) after paragraph (e) insert—

“(ea) property managing subsidiaries (see paragraph 21A);”.
- 4 In paragraph 20 (the qualifying subsidiaries requirement) for sub-paragraph (2) substitute—
  - “(2) In this paragraph “subsidiary” means any company which the company controls, either on its own or together with any person connected with it.
  - (3) For the purpose of sub-paragraph (2), the question whether a person controls a company shall be determined in accordance with section 416(2) to (6) of the Taxes Act 1988.”.
- 5 (1) Paragraph 21 (meaning of “qualifying subsidiary”) is amended as follows.
  - (2) In sub-paragraph (2)—
    - (a) omit paragraphs (a) to (c),
    - (b) before paragraph (d) insert—

“(ca) the subsidiary is a 51% subsidiary of the relevant company;”.
    - (c) in paragraph (e) for “the conditions in paragraphs (a) to” substitute “either of the conditions in paragraphs (ca) and”.
  - (3) In sub-paragraph (4)(a)(ii), after “company” insert “concerned”.
  - (4) In sub-paragraph (5)—
    - (a) after “qualifying subsidiary” insert “of the relevant company”.
    - (b) for “and not part” substitute “and is not to be part”.
- 6 After paragraph 21 insert—

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*“The property managing subsidiaries requirement*

21A(1) The issuing company is not a qualifying issuing company in relation to the relevant shares if, at any time during the qualification period relating to those shares, it has a property managing subsidiary which is not a qualifying 90% subsidiary of the issuing company (see paragraph 23(10) and (11)).

(2) “Property managing subsidiary” means a qualifying subsidiary of the issuing company whose business consists wholly or mainly in the holding or managing of land or any property deriving its value from land.

(3) In sub-paragraph (2), “land” and “property deriving its value from land” have the same meaning as in section 776 of the Taxes Act 1988.”

7 In paragraph 23 (the trading activities requirement)—

(a) in sub-paragraph (3)(b), for “at least one group company” substitute “ the issuing company or a qualifying 90% subsidiary of the issuing company ”,

(b) in sub-paragraph (5)—

(i) for “a subsidiary” substitute “ a qualifying 90% subsidiary of the issuing company ”,

(ii) for “or subsidiary” substitute “ or a qualifying 90% subsidiary of the issuing company ”,

(c) in sub-paragraph (6), for “the company”, in the first place, substitute “ a company ”,

<sup>F1039</sup>(d) .....

**Textual Amendments**

**F1039**Sch. 20 para. 7(d) repealed (19.7.2007 with effect in accordance with Sch. 16 to the amending Act) by [Finance Act 2007 \(c. 11\)](#), [Sch. 27 Pt. 2\(16\)](#)

8 In paragraph 24 (ceasing to meet trading requirements by reason of administration, receivership etc)—

(a) in sub-paragraph (1)—

(i) omit “which is in administration or receivership”,

(ii) after “by reason” insert “ only ”,

(b) in sub-paragraph (2)(b), after “company” insert “ concerned ”,

(c) in sub-paragraph (4)—

(i) in paragraph (a), for “of the company or any of its subsidiaries” substitute “ only of the company or any of its qualifying subsidiaries ”,

(ii) in paragraph (b), for “and not” substitute “ and is not ”.

9 In paragraph 25 (meaning of “qualifying trade”) in sub-paragraph (3)(b), for “any other group company” substitute “ the issuing company or any of its qualifying 90% subsidiaries ”.

10 In paragraph 35 (requirement as to the shares) in sub-paragraph (2), for “the issuing company at a future date” substitute “ any person at a future date in respect of the acquisition of the shares ”.

11 In paragraph 36 (requirement as to money raised)—



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- (a) in sub-paragraph (1B)(b)—
    - (i) for “relevant trade was not being carried on” substitute “ issuing company or a qualifying 90% subsidiary of that company had not begun to carry on the relevant trade ”,
    - (ii) for “subsidiary” substitute “ qualifying 90% subsidiary of that company ”,
  - (b) in sub-paragraphs (4)(b)(ii) and (5)(b), for “qualifying subsidiary” substitute “ qualifying 90% subsidiary ”.
- 12 In paragraph 40 (entitlement to claim)—
- (a) in sub-paragraph (2), for paragraph (a) substitute—
    - “(a) the funded trade has been carried on for four months by no person other than the issuing company or a qualifying 90% subsidiary of that company, disregarding—
      - (i) any time spent preparing to carry on that trade, and
      - (ii) any person required to be disregarded in accordance with sub-paragraph (2A) or (2B), and”,
    - (b) after sub-paragraph (2) insert—
      - “(2A) At any time when the funded trade is carried on by the partners in a partnership of which the issuing company, or a qualifying 90% subsidiary of that company, is a member, there shall be disregarded for the purposes of sub-paragraph (2)(a) any other members of the partnership at that time.
      - (2B) At any time when the funded trade is carried on by the parties to a joint venture to which the issuing company, or a qualifying 90% subsidiary of that company, is a party, there shall be disregarded for the purposes of sub-paragraph (2)(a) any other parties to the joint venture at that time.”
  - (c) for sub-paragraph (5)(a) substitute—
    - “(a) by reason only of the issuing company or any other company being wound up or dissolved without winding up, the funded trade is carried on as mentioned in sub-paragraph (2)(a) for a period shorter than four months, and”,
  - (d) in sub-paragraph (5)(b), for “was”, in each place, substitute “ is ”,
  - (e) for sub-paragraph (6)(a) substitute—
    - “(a) by reason only of anything done as a consequence of the issuing company or any other company being in administration or receivership, the funded trade is carried on as mentioned in sub-paragraph (2)(a) for a period shorter than four months, and”,
  - (f) in sub-paragraph (6)(b), after “company” insert “ concerned ”.
- 13 In paragraph 102 (minor definitions etc) after sub-paragraph (7) insert—
- “(8) In determining for the purposes of paragraph 3(2), 23(5) or 36(1B) when a trade is begun to be carried on by a qualifying 90% subsidiary of the issuing company there shall be disregarded any carrying on of the trade by it before it became such a subsidiary.”.

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14 In paragraph 103 (index of defined expressions), after the entry for “qualifying subsidiary” insert—

“qualifying 90% subsidiary paragraph 23(10) and (11)”.

15 The amendments made by this Schedule have effect in relation to shares issued on or after 17th March 2004.

SCHEDULE 21

Section 116

CHARGEABLE GAINS: RESTRICTION OF GIFTS RELIEF ETC

*Penalties for failure to furnish particulars etc*

F1040 1 .....

**Textual Amendments**  
**F1040**Sch. 21 para. 1 omitted (13.8.2009) by virtue of [The Finance Act 2009, Schedule 47 \(Consequential Amendments\) Order 2009 \(S.I. 2009/2035\)](#), art. 1, **Sch. para. 60(j)**

*Charge on settlor with interest in settlement etc: supplementary provisions*

F1041 2 .....

**Textual Amendments**  
**F1041**Sch. 21 para. 2 omitted (21.7.2008) (with effect in accordance with Sch. 2 para. 22 of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), **Sch. 2 para. 21(g)**

*Relief for gifts of business assets*

3 (1) Section 165 of the Taxation of Chargeable Gains Act 1992 is amended as follows.

(2) In subsection (1) (circumstances in which subsection (4) applies, subject to certain provisions) for “and 169” substitute “, 169, 169B and 169C”.

(3) In subsection (3) (relief not to apply to disposal in certain cases) after paragraph (b) insert—

“(ba) in the case of a disposal of shares or securities, the transferee is a company.”

F1042 (4) .....

(5) In subsection (10) (deduction to be allowed in computing chargeable gain on subsequent disposal by transferee, where disposal by transferor is chargeable transfer for inheritance tax purposes) for “after 13th March 1989, in respect of which a claim is made under this section,” substitute “ in relation to which subsection (4) above applies ”.

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### Textual Amendments

**F1042** Sch. 21 para. 3(4) omitted (21.7.2008) (with effect in accordance with Sch. 2 para. 56(3) of the amending Act) by virtue of Finance Act 2008 (c. 9), Sch. 2 para. 55(g)(i)

*Gifts relief not to be available on certain transfers to settlor-interested settlements etc*

4 After section 169A of the Taxation of Chargeable Gains Act 1992 (c. 12) insert—

#### “169B Gifts to settlor-interested settlements etc

- (1) Neither section 165(4) nor section 260(3) shall apply in relation to a disposal (“the relevant disposal”)—
  - (a) made by a person (“the transferor”) to the trustees of a settlement, and
  - (b) in respect of which Condition 1 or Condition 2 below is satisfied.
- (2) Condition 1 is that, immediately after the making of the relevant disposal,—
  - (a) there is a settlor (see section 169E) who has an interest in the settlement (see section 169F), or
  - (b) an arrangement (see section 169G) subsists under which such an interest will or may be acquired by a settlor.
- (3) Condition 2 is that—
  - (a) a chargeable gain would (assuming that neither section 165(4) nor section 260(3) applied in relation to the relevant disposal) accrue to the transferor on that disposal,
  - (b) in computing the gain, the allowable expenditure would to any extent fall to be reduced in consequence, directly or indirectly, of a claim under section 165 or 260 in respect of an earlier disposal made by an individual (whether or not to the transferor), and
  - (c) immediately after the making of the relevant disposal,—
    - (i) that individual has an interest in the settlement, or
    - (ii) an arrangement subsists under which such an interest will or may be acquired by him.
- (4) This section is subject to section 169D (exception for maintenance funds for historic buildings and certain settlements for disabled persons).

#### 169C Clawback of relief if settlement becomes settlor-interested etc

- (1) This section applies in relation to a disposal (“the relevant disposal”)—
  - (a) made by a person (“the transferor”) to the trustees of a settlement,
  - (b) in relation to which section 165(4) or 260(3) applies, or would apart from this section apply, and
  - (c) in respect of which Condition 1 or Condition 2 below is satisfied.
- (2) Condition 1 is that, at any time during the clawback period,—

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- (a) there is a settlor who has an interest in the settlement, or
  - (b) an arrangement subsists under which such an interest will or may be acquired by a settlor.
- (3) Condition 2 is that—
- (a) in computing the chargeable gain which would (assuming that neither section 165(4) nor section 260(3) applied in relation to the relevant disposal) accrue to the transferor on that disposal, the allowable expenditure would fall to be reduced,
  - (b) that reduction would to any extent fall to be made in consequence, directly or indirectly, of a claim under section 165 or 260 in respect of an earlier disposal made by an individual (whether or not to the transferor), and
  - (c) at any time during the clawback period,—
    - (i) that individual has an interest in the settlement, or
    - (ii) an arrangement subsists under which such an interest will or may be acquired by him.
- (4) If no claim for relief under section 165 or 260 in respect of the relevant disposal is made before the material time, neither section 165(4) nor section 260(3) shall apply in relation to that disposal.
- (5) Subsections (7) to (9) below apply if a claim for relief under section 165 or 260 in respect of the relevant disposal is made before the material time.
- (6) But those subsections do not apply if—
- (a) the transferor is an individual, and
  - (b) he dies before the material time.
- (7) A chargeable gain, of an amount equal to the amount of the held-over gain (within the meaning of section 165 or 260) on the relevant disposal, shall be treated for the purposes of tax in respect of chargeable gains as accruing to the transferor at the material time.
- (8) For any chargeable period ending after the making of the relevant disposal, the chargeable gains and allowable losses of—
- (a) the trustees of the settlement, or
  - (b) any person whose title to any property to any extent derives, directly or indirectly, from them,
- shall be determined on the assumption that neither section 165(4)(b) nor section 260(3)(b) ever applied in relation to that disposal.
- (9) All such adjustments shall be made, whether by discharge or repayment of tax, the making of assessments or otherwise, as are required to give effect to subsection (8) above (notwithstanding any limitation on the time within which any adjustment may be made).
- (10) If a claim for relief under section 165 or 260 in respect of the relevant disposal is revoked, this section shall apply as if the claim had never been made.
- (11) In this section “the clawback period” means the period—
- (a) beginning immediately after the making of the relevant disposal, and

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- (b) ending six years after the end of the year of assessment in which that disposal was made.
- (12) In this section “the material time” means the time at which subsection (1)(c) above first becomes satisfied.
- (13) This section is subject to section 169D.

### **169D Exceptions to sections 169B and 169C**

- (1) Sections 169B and 169C shall not apply in relation to a disposal to the trustees of a settlement in a year of assessment if the trustees have elected that section 691(2) of the Taxes Act (certain income of maintenance funds for historic buildings not to be income of settlor etc) shall have effect in the case of—
  - (a) the settlement, or
  - (b) any part of the settlement,in relation to that year of assessment.
- (2) Sections 169B and 169C shall not apply in relation to a disposal to the trustees of a settlement if the following conditions are satisfied.
- (3) The first condition is that, immediately after the making of the disposal,—
  - (a) the settled property is held on trusts which secure that, during the lifetime of a disabled person, not less than half of the property which is applied is applied for the benefit of that person, and
  - (b) the settled property is held on trusts—
    - (i) which secure that, during his lifetime, he is entitled to not less than half of the income arising from the property,
    - (ii) which secure that, during his lifetime, no such income may be applied for the benefit of any other person, or
    - (iii) under which, during his lifetime, no interest in possession in the settled property subsists.
- (4) The second condition is that if, immediately after the making of the disposal, one or more settlors is an interested settlor, each such settlor must at that time be a disabled beneficiary.
- (5) For the purposes of subsection (4) above a settlor is an “interested settlor” in relation to a settlement if—
  - (a) he has an interest in the settlement, or
  - (b) an arrangement subsists under which such an interest will or may be acquired by him;and for this purpose, the references to an individual’s spouse in section 169F(2) and (3) shall be disregarded.
- (6) In subsection (4) above “disabled beneficiary”, in relation to a settlement, means a disabled person who—
  - (a) is a beneficiary under the settlement, or
  - (b) would be such a beneficiary if he had the interest in the settlement by virtue of which subsection (5)(b) above applies in relation to him.

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- (7) In this section “disabled person” means—
- (a) a person who by reason of mental disorder within the meaning of the Mental Health Act 1983 is incapable of administering his property or managing his affairs; or
  - (b) a person in receipt of attendance allowance or of a disability living allowance by virtue of entitlement to the care component at the highest or middle rate.
- (8) In this section “attendance allowance” means an allowance under—
- (a) section 64 of the Social Security Contributions and Benefits Act 1992, or
  - (b) section 64 of the Social Security Contributions and Benefits (Northern Ireland) Act 1992.
- (9) In this section “disability living allowance” means a disability living allowance under—
- (a) section 71 of the Social Security Contributions and Benefits Act 1992, or
  - (b) section 71 of the Social Security Contributions and Benefits (Northern Ireland) Act 1992.
- (10) The trusts on which settled property is held shall not be treated as falling outside subsection (3) above by reason only of the powers conferred on the trustees by—
- (a) section 32 of the Trustee Act 1925, or
  - (b) section 33 of the Trustee Act (Northern Ireland) 1958 (powers of advancement).
- (11) The references in subsection (3) above to the lifetime of a person shall, where the income from the settled property is held for his benefit on trusts of the kind described in section 33 of the Trustee Act 1925 (protective trusts), be construed as references to the period during which the income is held on trust for him.

### **169E Meaning of “settlor” in sections 169B to 169D and 169G**

- (1) For the purposes of this section, sections 169B to 169D and section 169G, a person is a settlor in relation to a settlement if—
- (a) he is an individual, and
  - (b) the settled property consists of, or includes, property originating from him.
- (2) In subsection (1) above, the reference to property originating from a settlor is a reference to—
- (a) property which that settlor has provided directly or indirectly for the purposes of the settlement, and
  - (b) property which wholly or partly represents that property or any part of it.
- (3) In subsection (2) above, the references to property which a settlor has provided directly or indirectly—

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- (a) include references to property which has been provided directly or indirectly by another person in pursuance of reciprocal arrangements with that settlor, but
  - (b) do not include references to property which that settlor has provided directly or indirectly in pursuance of reciprocal arrangements with another person.
- (4) In subsection (2) above, the reference to property which represents other property includes a reference to property which represents accumulated income from that other property.

### **169F Meaning of “interest in a settlement” in sections 169B to 169D**

- (1) For the purposes of this section and sections 169B to 169D, an individual is to be regarded as having an interest in a settlement if subsection (2) or (3) below applies.
- (2) This subsection applies if—
- (a) any property which may at any time be comprised in the settlement, or
  - (b) any derived property,
- is, or will or may become, payable to or applicable for the benefit of the individual or his spouse in any circumstances whatsoever.
- (3) This subsection applies if the individual or his spouse enjoys a benefit deriving directly or indirectly from—
- (a) any property which is comprised in the settlement, or
  - (b) any derived property.
- (4) The references in subsections (2) and (3) above to the spouse of the individual do not include—
- (a) a spouse from whom the individual is separated—
    - (i) under an order of a court,
    - (ii) under a separation agreement, or
    - (iii) in such circumstances that the separation is likely to be permanent, or
  - (b) the widow or widower of the individual.
- (5) An individual is not to be regarded as having an interest in a settlement by virtue of subsection (2) above if and so long as none of the property which may at any time be comprised in the settlement, and no derived property, can become payable or applicable as mentioned in that provision except in the event of—
- (a) in the case of a marriage settlement, the death of both parties to the marriage and of all or any of the children of the marriage, or
  - (b) the death of a child of the individual where the child had become beneficially entitled to the property or any derived property at an age not exceeding 25.
- (6) In this section “derived property”, in relation to any property, means—
- (a) income from that property,

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- (b) property directly or indirectly representing—
  - (i) proceeds of that property, or
  - (ii) proceeds of income from that property, or
- (c) income from property which is derived property by virtue of paragraph (b) above.

### **169G Meaning of “arrangement” in sections 169B to 169E and information power**

- (1) In sections 169B to 169E “arrangement” or “arrangements” includes any scheme, agreement or understanding, whether or not legally enforceable.
- (2) An officer of the Board may by notice require any person to whom subsection (3) or (4) below applies to give him within such time as he may direct, not being less than 28 days, such particulars as he thinks necessary for the purposes of sections 169B to 169F.
- (3) This subsection applies to a person who is or has been—
  - (a) a trustee of a settlement,
  - (b) a beneficiary under a settlement, or
  - (c) a settlor in relation to a settlement.
- (4) This subsection applies to a person who—
  - (a) is the spouse of a settlor in relation to a settlement, or
  - (b) has at any time on or after the making of the relevant disposal been the spouse of such a settlor.
- (5) In subsection (4) above “relevant disposal” means the disposal—
  - (a) to which section 169B(1), 169C (1) or 169D (1) or (2) applies or may apply, and
  - (b) in connection with which the notice is given.”.

#### *Gifts on which inheritance tax is chargeable etc*

- 5 (1) Section 260 of the Taxation of Chargeable Gains Act 1992 (c. 12) is amended as follows.
- (2) In subsection (1) (circumstances in which subsection (3) applies, subject to certain provisions) after “169” insert “, 169B, 169C ”.
  - (3) Omit subsection (6A) (unnecessary provision for preventing reduction in case of disposal which is chargeable event for purposes of Schedule 5B).
  - (4) Omit subsection (6B) (unnecessary provision for preventing reduction in case of disposal which is chargeable event for purposes of Schedule 5C).
  - (5) In subsection (7) (deduction to be allowed in computing chargeable gain on subsequent disposal by transferee, where disposal by transferor is chargeable transfer for inheritance tax purposes) after “subsection (2)(a) above” insert “ (whether or not subsection (3) above applies in relation to it) ”.



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*Payment by instalments of tax on gifts*

- 6 (1) Section 281 of the Taxation of Chargeable Gains Act 1992 is amended as follows.
- (2) In subsection (2) (option to pay capital gains tax by instalments by giving notice to inspector) for “the inspector” substitute “ an officer of the Board ”.
- (3) After subsection (7) insert—
- “(8) Subsection (2) above applies in relation to a chargeable gain accruing to a transferor under section 169C(7) (clawback of relief under section 165 or 260 if settlement becomes settlor-interested etc) as it applies in relation to a gain accruing to a person on a disposal if—
- (a) the relevant disposal (within the meaning of section 169C) in question was a disposal of the whole or any part of any assets to which this section applies, and
  - (b) at the material time (within the meaning of that section), no part of the subject-matter of that relevant disposal has been disposed of for valuable consideration under a subsequent disposal (whether made by the trustees to whom that relevant disposal was made or by some other person).
- (9) Where subsection (2) above so applies, subsections (4) to (7) above apply accordingly but as if for paragraphs (a) and (b) of subsection (7) there were substituted “ any part of the subject-matter of the relevant disposal in question is disposed of for valuable consideration under a subsequent disposal (whether made by the trustees to whom that relevant disposal was made or by some other person). ”.”.

*Recovery of tax from donee*

- 7 (1) Section 282 of the Taxation of Chargeable Gains Act 1992 (c. 12) is amended as follows.
- (2) After subsection (4) insert—
- “(5) This section applies in relation to a chargeable gain accruing to a transferor under section 169C(7) (clawback of relief under section 165 or 260 if settlement becomes settlor-interested etc) as it applies in relation to a chargeable gain accruing to a person on the disposal of an asset by way of gift.
- (6) For the purposes of this section as applied by subsection (5) above—
- (a) the transferor shall be taken to be the donor, and
  - (b) the trustees to whom the relevant disposal (within the meaning of section 169C) in question was made shall be taken to be the donee.”.

*Application of taper relief*

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### Textual Amendments

**F1043** Sch. 21 para. 8 omitted (21.7.2008) (with effect in accordance with Sch. 2 para. 56(3) of the amending Act) by virtue of Finance Act 2008 (c. 9), Sch. 2 para. 55(g)(i)

### *Relief for gifts of business assets*

- 9 (1) Schedule 7 to the Taxation of Chargeable Gains Act 1992 is amended as follows.
- (2) In paragraph 2 (1) (circumstances in which section 165(4) applies, subject to certain provisions, in relation to disposals by trustees of settlement) for “and 169” substitute “, 169, 169B and 169C”.

### *Commencement*

- 10 (1) The amendment in paragraph 1(2) of this Schedule has effect in relation to any notice given—
- after the passing of this Act, and
  - in respect of the year 2003-04 or any subsequent year of assessment.
- (2) The amendment in paragraph 2(2) of this Schedule has effect in relation to the provision of property on or after 10th December 2003.
- (3) The amendments in paragraphs 2(3) and 6(2) of this Schedule have effect in relation to any notice given in respect of the year 2004-05 or any subsequent year of assessment.
- (4) The amendments in paragraphs 3(2), 4, 5(2), 6(3), 7(2)<sup>F1044</sup>... and 9(2) of this Schedule have effect in relation to disposals on or after 10th December 2003 (whenever any earlier disposal as mentioned in section 169B(3)(b) or 169C(3)(b) was made).
- (5) The amendment in paragraph 3(3) of this Schedule has effect in relation to disposals on or after 21st October 2003.
- <sup>F1045</sup>(6) .....
- (7) The amendment in paragraph 3(5) of this Schedule has effect in relation to disposals on or after 10th December 2003.
- (8) The amendments in paragraph 5(3) and (4) of this Schedule have effect in relation to gains accruing on or after 6th April 2004.
- (9) The amendment in paragraph 5(5) of this Schedule has effect in relation to disposals on or after 6th April 2004.

### Textual Amendments

**F1044** Word in Sch. 21 para. 10(4) omitted (21.7.2008) (with effect in accordance with Sch. 2 para. 56(3) of the amending Act) by virtue of Finance Act 2008 (c. 9), Sch. 2 para. 55(g)(ii)

**F1045** Sch. 21 para. 10(6) omitted (21.7.2008) (with effect in accordance with Sch. 2 para. 56(3) of the amending Act) by virtue of Finance Act 2008 (c. 9), Sch. 2 para. 55(g)(ii)

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## SCHEDULE 22

Section 117

### CHARGEABLE GAINS: PRIVATE RESIDENCE RELIEF

#### *Relief on disposal of private residence*

- 1 (1) Section 222 of the Taxation of Chargeable Gains Act 1992 (c. 12) is amended as follows.
- (2) In subsection (5)(a) (notice to inspector to determine which of two or more residences is individual's main residence) for "the inspector" (on both occasions) substitute "an officer of the Board".

#### *Amount of relief*

- 2 (1) Section 223 of the Taxation of Chargeable Gains Act 1992 is amended as follows.
- (2) In subsection (4) (dwelling-house let as residential accommodation) in paragraph (a), omit the unnecessary words "or those provisions as applied by section 225".
- (3) After subsection (7) insert—
- “(8) This section is subject to—
- (a) section 224 (amount of relief: further provisions), and
  - (b) section 226A (private residence relief: cases where relief obtained under section 260).”.

#### *Amount of relief: further provisions*

- 3 (1) Section 224 of the Taxation of Chargeable Gains Act 1992 (c. 12) is amended as follows.
- (2) In subsection (1) (gain accruing from disposal of dwelling-house part of which is used exclusively for purposes of trade etc: relief to apply only to portion of gain) for "accrues from" substitute "accrues on".

#### *Private residence occupied under terms of settlement*

- 4 (1) Section 225 of the Taxation of Chargeable Gains Act 1992 is amended as follows.
- (2) In the opening words—
- (a) for "a trustee" substitute "the trustees of a settlement", and
  - (b) for "the trustee" substitute "the trustees".
- (3) In paragraph (a), for "the trustee" substitute "the trustees".
- (4) In paragraph (b)—
- (a) for "the inspector" substitute "an officer of the Board", and
  - (b) for "the trustee" substitute "the trustees".
- (5) At the end of that paragraph insert " ; but section 223 (as so applied) shall apply only on the making of a claim by the trustees. ”.

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*Private residence held by personal representatives*

5 After section 225 of the Taxation of Chargeable Gains Act 1992 insert—

**“225A Private residence held by personal representatives**

- (1) Sections 222 to 224 shall also apply in relation to a gain accruing to the personal representatives of a deceased person on a disposal of an asset within section 222 (1) if the following conditions are satisfied.
- (2) The first condition is that, immediately before and immediately after the death of the deceased person, the dwelling-house or part of the dwelling-house mentioned in section 222 (1) was the only or main residence of one or more individuals.
- (3) The second condition is that—
  - (a) that individual or one of those individuals has a relevant entitlement, or two or more of those individuals have relevant entitlements, and
  - (b) the relevant entitlement accounts for, or the relevant entitlements together account for, 75% or more of the net proceeds of disposal;
 and for this purpose “relevant entitlement” means an entitlement as legatee of the deceased person to, or to an interest in possession in, the whole or any part of the net proceeds of disposal.
- (4) In subsection (3) above “net proceeds of disposal” means—
  - (a) the proceeds of the disposal of the asset realised by the personal representatives, less
  - (b) any incidental costs allowable as a deduction in accordance with section 38(1)(c) in computing the gain accruing to the personal representatives on that disposal,
 but on the assumption that none of the proceeds is required to meet the liabilities of the deceased person’s estate (including any liability to inheritance tax).
- (5) In sections 222 to 224 as applied by this section—
  - (a) references to the individual shall be taken as references to the personal representatives except in relation to the occupation of the dwelling-house or part of the dwelling-house, and
  - (b) the notice which may be given to an officer of the Board under section 222(5)(a) shall be a joint notice by the personal representatives and the individual or individuals entitled to occupy the dwelling-house or part of the dwelling-house.
- (6) But section 223 (as so applied) shall apply only on the making of a claim by the personal representatives.”.

*Private residence relief: cases where relief obtained under section 260*

6 After section 226 of the Taxation of Chargeable Gains Act 1992 insert—

**“226A Private residence relief: cases where relief obtained under section 260**

- (1) This section applies where—

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- (a) section 223 applies, or would apart from this section apply, in relation to a gain or part of a gain accruing to an individual or the trustees of a settlement (“the transferor”) on a disposal (the “later disposal”),
  - (b) in computing the chargeable gain which would, apart from section 223, accrue to the transferor on the later disposal, the allowable expenditure would fall to be reduced, and
  - (c) that reduction would to any extent fall to be made in consequence, directly or indirectly, of a claim or claims under section 260 in respect of one or more earlier disposals (whether or not made to the transferor).
- (2) If a claim for relief under section 260 in respect of—
  - (a) the earlier disposal, or
  - (b) if there were two or more such disposals, any of them,is made on or before the making of the later disposal, section 223 shall not apply in relation to the gain or part of a gain accruing on the later disposal.
- (3) If a claim for relief under section 260 in respect of—
  - (a) the earlier disposal, or
  - (b) if there were two or more such disposals, any of them,is made after the making of the later disposal and subsection (2) above does not apply, it is to be assumed for the purposes of capital gains tax that section 223 never applied in relation to the gain or part of a gain accruing on the later disposal.
- (4) All such adjustments shall be made, whether by discharge or repayment of tax, the making of assessments or otherwise, as are required to give effect to subsection (3) above (notwithstanding any limitation on the time within which any adjustment may be made).
- (5) Where the later disposal is made by the trustees of a settlement, the references in subsections (2) and (3) above to the making of the later disposal shall be read as references to the making of a claim for relief under section 223 in respect of the gain or part of a gain accruing on that disposal.
- (6) If a claim for relief under section 260 in respect of an earlier disposal is revoked, this section shall apply as if the claim had never been made.
- (7) This section is subject to section 226B (exception for maintenance funds for historic buildings).

#### **226B Exception to section 226A**

- (1) Section 226A shall not apply in relation to a later disposal made by the trustees of a settlement if the trustees have elected that section 691(2) of the Taxes Act (certain income of maintenance funds for historic buildings not to be income of settlor etc) shall have effect in the case of—
  - (a) the settlement, or
  - (b) any part of the settlement,in relation to each year of assessment in which a relevant earlier disposal is made.

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(2) In this section “relevant earlier disposal”, in relation to a later disposal, means an earlier disposal in respect of which a claim mentioned in section 226A(1)(c) is made.

(3) This section is to be construed as one with section 226A.”.

#### *Commencement*

- 7 (1) The amendments in paragraphs 1(2) and 4(4)(a) of this Schedule have effect in relation to any notice given on or after 10th December 2003.
- (2) The amendments in paragraphs 2(2), 3(2), 4(2), (3), (4)(b) and (5) and 5 of this Schedule have effect in relation to disposals made on or after 10th December 2003.
- (3) Subject to paragraph 8 of this Schedule, the amendments in paragraphs 2(3) and 6 of this Schedule have effect in relation to gains or parts of gains accruing on later disposals (within the meaning of the section 226A inserted by paragraph 6 of this Schedule) made on or after 10th December 2003 (whenever any relevant earlier disposal was made).
- (4) In sub-paragraph (3) above “relevant earlier disposal”, in relation to a later disposal (within the meaning of the section 226A inserted by paragraph 6 of this Schedule), means an earlier disposal in respect of which a claim mentioned in subsection (1) (c) of that section is made.

#### *Transitional provision*

- 8 (1) This paragraph has effect where section 226A of the Taxation of Chargeable Gains Act 1992 (c. 12) (as inserted by paragraph 6 of this Schedule) (“section 226A”) applies in circumstances in which—
- (a) the relevant earlier disposal, or
  - (b) if there were two or more such disposals, each of them,
- was made before 10th December 2003.
- (2) Section 226A shall have effect subject to the following modifications.
- (3) In subsection (2), omit “not” and at the end insert “ subject to the modifications set out in subsections (2A) to (2C) below ”.
- (4) After subsection (2) insert—
- “(2A) Section 223 (1) shall not apply.
- (2B) For the purposes of section 223(2)(a) and (3)—
- (a) the dwelling-house or the part of the dwelling-house in question is to be taken not to have been the individual’s only or main residence during the post-commencement period or any part of that period, and
  - (b) the words “but inclusive of the last 36 months of the period of ownership in any event” shall not have effect in respect of so much of that period of 36 months as falls within the post-commencement period.
- (2C) In subsection (2B) above “post-commencement period” means the period beginning on 10th December 2003 and ending on the date of the later disposal.”.

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- (5) In subsection (3), omit “never” and at the end insert “ subject to the modifications set out in subsections (2A) to (2C) above ”.
- (6) In this paragraph “relevant earlier disposal”, in relation to a later disposal, means an earlier disposal in respect of which a claim mentioned in subsection (1)(c) of section 226A is made.
- (7) This paragraph is to be construed as one with section 226A.
- (8) Subsections (5) and (6) of section 223 of the Taxation of Chargeable Gains Act 1992 apply in relation to the subsection (2B)(b) treated as inserted by sub-paragraph (4) above as they apply in relation to subsections (1) and (2)(a) of that section.

## SCHEDULE 23

Section 134

### FINANCE LEASEBACKS: TRANSITIONAL PROVISION

#### *Introduction*

- 1 (1) Sections 228B to 228E of the Capital Allowances Act 2001 (c. 2) (as inserted by section 134) are subject to paragraphs 2 to 9 of this Schedule in their application in relation to existing leasebacks.
- (2) Paragraph 10 of this Schedule makes provision in relation to the taxation of chargeable gains where an existing leaseback terminates.

#### *Section 228B*

- 2 (1) This paragraph applies if the pre-commencement rentals are greater than the total of the actual rental deductions for periods of account up to, but excluding, the transitional period of account.
- (2) Section 228B shall not apply in relation to—
  - (a) the transitional period of account if the lessee’s excess rentals are greater than the notional rental deduction for that period, or
  - (b) a subsequent period of account if the unrelieved portion of the lessee’s excess rentals is greater than the notional rental deduction for that period.
- (3) Section 228B is subject to sub-paragraph (4) in its application to—
  - (a) the transitional period of account if the lessee’s excess rentals are not greater than the notional rental deduction for that period, or
  - (b) a subsequent period of account if the unrelieved portion of the lessee’s excess rentals is not greater than the notional rental deduction for that period.
- (4) The permitted maximum for that period of account is the total of—
  - (a) the lessee’s excess rentals (in the case of the transitional period of account) or the unrelieved portion of the lessee’s excess rentals (in the case of a subsequent period of account), and
  - (b) the amount given by this calculation—

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$$\text{Basic Amount} \times \frac{(\text{Notional Rental Deduction} - \text{Deductible Excess})}{\text{Notional Rental Deduction}}$$

where—

“Basic Amount” means the amount calculated in accordance with section 228B(2),

“Notional Rental Deduction” means the notional rental deduction for the period of account in question, and

“Deductible Excess” means the amount included in the permitted maximum by virtue of sub-paragraph (4)(a).

(5) But where, in relation to the transitional period of account, the amount given by sub-paragraph (4) is less than the appropriate fraction of the notional rental deduction for that period, the permitted maximum shall be that fraction of that deduction.

(6) In this paragraph—

(a) “the lessee’s excess rentals” means—

(i) the pre-commencement rentals, minus

(ii) the total of the actual rental deductions referred to in sub-paragraph (1), and

(b) “the unrelieved portion of the lessee’s excess rentals”, in relation to a period of account, means—

(i) the lessee’s excess rentals, minus

(ii) the total of the actual rental deductions for periods of account from and including the transitional period up to, but excluding, the period in question.

(7) In this paragraph—

“actual rental deduction”, in relation to a period of account, means the amount that may be deducted in respect of amounts payable under the existing leaseback in calculating the lessee’s income or profits for that period of account for the purpose of income tax or corporation tax;

“notional rental deduction”, in relation to a period of account, means the amount that could, if section 228B did not apply, be deducted in respect of amounts payable under the existing leaseback in calculating the lessee’s income or profits for that period of account for the purpose of income tax or corporation tax.

(8) Nothing in sub-paragraphs (3) to (5) prevents the inclusion of an amount in the permitted maximum by virtue of section 228B(3) and (4).

(9) This paragraph does not apply in relation to any period of account later than a period of account for which the permitted maximum has been determined in accordance with sub-paragraph (3) to (5).

### Section 228B

3 (1) This paragraph applies where—

(a) the existing leaseback terminates, and



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- (b) in the period of account immediately following that in which it terminates, paragraph 2(2)(b) or 2(3)(b) would apply were it not for the termination.
- (2) The permitted maximum for the period of account in which the leaseback terminates shall also include an amount equal to the amount that the unrelieved portion of the lessee's excess rentals would have been in the period of account immediately following.

*Section 228C*

- 4 Section 228C shall not apply where the existing leaseback terminates before 17 March 2004.

*Section 228C*

- 5 (1) Section 228C applies subject to this paragraph where—
  - (a) the existing leaseback terminates otherwise than by expiry of its term, and
  - (b) the amount calculated in accordance with section 228C(3) exceeds the relevant cap.
- (2) In determining the amount by which income or profits are to be increased under section 228C(2), the amount calculated in accordance with section 228C(3) shall be disregarded to the extent that it exceeds the relevant cap.
- (3) The relevant cap is—

$$(\text{OriginalConsideration} - \text{RelevantRentals}) \times \frac{\text{NetConsideration}}{\text{OriginalConsideration}}$$

where—

“Original Consideration” has the same meaning as in section 228B;

“Relevant Rentals” means—

- (a) the pre-commencement rentals, minus
- (b) the total of—
  - (i) finance charges shown in the accounts for periods that end before 17 March 2004, and
  - (ii) the appropriate proportion of finance charges shown in the accounts for the transitional period of account;

“Net Consideration” has the same meaning as in section 228C.

*Section 228C*

- 6 (1) This paragraph applies if—
  - (a) the existing leaseback terminates otherwise than by expiry of its term,
  - (b) upon the termination of the leaseback, or during the period of one month beginning with the date of termination, the lessee becomes the owner of the plant of machinery by acquiring it—
    - (i) from the lessor, or

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- (ii) where no person other than the lessor or a person connected with the lessee has owned the plant or machinery at any time since the termination of the leaseback, from a person connected with the lessee,
  - (c) the person who first acquires the plant or machinery from the lessor does so as a result of incurring capital expenditure equal (at least) to the market value of the plant or machinery at the termination of the leaseback, and
  - (d) the amount of the lessee acquisition expenditure that counts as qualifying expenditure is restricted under section 226.
- (2) If the section 226 restriction is greater than the amount calculated in accordance with section 228C(3)—
- (a) section 228C(2) to (4) shall not apply, but
  - (b) if there is a taxable disposal, section 228C(2) to (4) shall apply subject to sub-paragraph (5).
- (3) If the section 226 restriction is not greater than the amount calculated in accordance with section 228C(3)—
- (a) the amount by which profits or income are increased in accordance with section 228C(2) shall be reduced by the section 226 restriction, and
  - (b) if there is a taxable disposal, section 228C(2) to (4) shall apply again subject to sub-paragraph (5).
- (4) For the purposes of sub-paragraphs (2) and (3) there is a taxable disposal if, during the period of six years beginning with the date of termination of the leaseback—
- (a) the whole of the plant or machinery is the subject of a disposal event (within the meaning of Part 2), or
  - (b) part of the plant or machinery is the subject of such a disposal event.
- (5) Where section 228C(2) to (4) applies subject to this sub-paragraph—
- (a) a reference to the termination shall be treated as a reference to the cessation of ownership of the plant or machinery, and
  - (b) the amount by which profits or income are increased in accordance with section 228C(2) shall be—
    - (i) in a case falling within sub-paragraph (2)(b), the relevant fraction of the amount calculated in accordance with section 228C(3), or
    - (ii) in a case falling within sub-paragraph (3)(b), the relevant fraction of the section 226 restriction.
- (6) In sub-paragraph (5)(b)(i) and (ii) “relevant fraction” means—

(Disposal Proceeds — Restricted Qualifying Expenditure)

(Lessee Acquisition Expenditure — Restricted Qualifying Expenditure)

where “Disposal Proceeds” means the consideration due to the lessee under the taxable disposal or, if higher, the market value of the plant or machinery at the time of the taxable disposal; but—

- (a) where that amount is greater than the lessee acquisition expenditure, the Disposal Proceeds shall be the amount of the lessee acquisition expenditure, or

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- (b) where that amount is less than the restricted qualifying expenditure, the Disposal Proceeds shall be the amount of the restricted qualifying expenditure.
- (7) Where there is a taxable disposal by virtue of sub-paragraph (4)(b), this paragraph applies in relation to that disposal with the following modifications—
- (a) references in sub-paragraphs (5)(a) and (6) to the plant or machinery shall be taken to be references to the part of the plant or machinery comprised in the taxable disposal;
  - (b) the amount by which profits or income are to be increased by virtue of sub-paragraph (5)(b) shall be the partial disposal fraction of the amount given by sub-paragraph (5)(b)(i) or (ii);
  - (c) the partial disposal fraction of the restricted qualifying expenditure and of the lessee acquisition expenditure shall be used for the purposes of sub-paragraph (6) instead of those amounts of expenditure.
- (8) For the purposes of sub-paragraph (7) the partial disposal fraction is—

$$\frac{\text{Apportioned Lessee Acquisition Expenditure}}{\text{Lessee Acquisition Expenditure}}$$

where “Apportioned Lessee Acquisition Expenditure” means so much of the lessee acquisition expenditure as was attributable to the acquisition of the part of the plant or machinery comprised in the taxable disposal.

- (9) In this paragraph—
- “lessee acquisition expenditure” means the capital expenditure incurred by the lessee in acquiring the plant or machinery as described in sub-paragraph (1)(b),
  - “restricted qualifying expenditure” means the qualifying expenditure under section 226, and
  - “section 226 restriction” means—
    - (a) the lessee acquisition expenditure, minus
    - (b) the restricted qualifying expenditure.

*Section 228D*

- 7 (1) This paragraph applies if the pre-commencement rentals are greater than the total of the actual taxed rentals for periods of account up to, but excluding, the transitional period of account.
- (2) Section 228D shall not apply in relation to—
- (a) the transitional period of account if the lessor’s excess rentals are greater than the notional taxed rental for that period, or
  - (b) a subsequent period of account if the untaxed portion of the lessor’s excess rentals is greater than the notional taxed rental for that period.
- (3) Section 228D is subject to sub-paragraph (4) in its application to—
- (a) the transitional period of account if the lessor’s excess rentals are not greater than the notional taxed rental for that period, or

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- (b) a subsequent period of account if the untaxed portion of the lessor’s excess rentals is not greater than the notional taxed rental for that period.
- (4) The permitted threshold for that period of account is the total of—
- (a) the lessor’s excess rentals (in the case of the transitional period of account) or the untaxed portion of the lessor’s excess rentals (in the case of a subsequent period of account), and
  - (b) the amount given by this calculation—

$$\text{Basic Amount} \times \frac{(\text{Notional Taxed Rental} - \text{Deductible Excess})}{\text{Notional Taxed Rental}}$$

where—

“Basic Amount” means the amount calculated in accordance with section 228D(4);

“Notional Taxed Rental” means the notional taxed rental for the period of account in question, and

“Deductible Excess” means the amount included in the permitted threshold by virtue of sub-paragraph (4)(a).

- (5) But where, in relation to the transitional period of account, the amount given by sub-paragraph (4) is less than the appropriate fraction of the notional taxed rental for that period, the permitted threshold shall be that fraction of that rental.
- (6) In this paragraph—
- (a) “the lessor’s excess rentals” means—
    - (i) the pre-commencement rentals, minus
    - (ii) the total of the actual taxed rentals referred to in sub-paragraph (1), and
  - (b) “the untaxed portion of the lessor’s excess rentals”, in relation to a period of account, means—
    - (i) the lessor’s excess rentals, minus
    - (ii) the total of the actual taxed rentals for periods of account from and including the transitional period up to, but excluding, the period in question.

- (7) In this paragraph—

“actual taxed rental”, in relation to a period of account, means the amount that should be taken into consideration in respect of amounts receivable under the existing leaseback in calculating the lessor’s income or profits for that period of account for the purpose of income tax or corporation tax;

“notional taxed rental”, in relation to a period of account, means the amount that would, if section 228D did not apply, be taken into consideration in respect of amounts receivable under the existing leaseback in calculating the lessor’s income or profits for that period of account for the purpose of income tax or corporation tax.

- (8) Nothing in sub-paragraphs (3) to (5) prevents the inclusion of an amount in the permitted threshold by virtue of section 228D(2).

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- (9) This paragraph does not apply in relation to any period of account later than a period of account for which the permitted threshold has been determined in accordance with sub-paragraphs (3) to (5).

*Section 228D*

- 8 (1) This paragraph applies where—
- (a) the existing leaseback terminates, and
  - (b) in the period of account immediately following that in which it terminates, paragraph 7(2)(b) or 7(3)(b) would apply were it not for the termination.
- (2) The permitted threshold for the period of account in which the leaseback terminates shall also include an amount equal to the amount that the untaxed portion of the lessor’s excess rentals would have been in the period of account immediately following.

*Section 228E*

- 9 Section 228E shall not apply where the existing leaseback terminates before 17 March 2004.

*Chargeable gains*

- 10 (1) Sub-paragraph (2) applies where—
- (a) an existing leaseback is the leaseback in a lease and finance leaseback,
  - (b) the leaseback terminates,
  - (c) on or after the termination there is a disposal, by the user, of the whole or part of the plant and machinery subject to the leaseback, and
  - (d) a chargeable gain that accrues on that disposal (“the relevant chargeable gain”) falls to be taken into account for the purposes of a chargeable gains computation.
- (2) The following fraction of the relevant chargeable gain shall instead be taken into account for the purposes of the chargeable gains computation—

$$\frac{(\text{NetRentals} - \text{TerminationCharge})}{\text{LeasePremium}}$$

where—

“Net Rentals” means—

- (a) the total of the amounts deducted in calculating the user’s income or profits, for the purpose of income tax or corporation tax, in respect of amounts payable under the leaseback, minus
- (b) the total of the amounts shown in the user’s accounts in respect of finance charges relating to the leaseback;

“Termination Charge” means the amount by which the user’s income or profits are to be increased by virtue of section 228C(2) of the CAA 2001 because of the termination;

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“Lease Premium” means the consideration relating to the leaseback referred to in section 228F(6)(b) of the CAA 2001.

(3) References in this paragraph to termination of the leaseback shall be construed in accordance with section 228H (1) of the CAA 2001.

(4) In this paragraph—

“CAA 2001” means the Capital Allowances Act 2001 (c. 2);

“chargeable gains computation” means the computation, for the purposes of the TCGA 1992, of the total amount of chargeable gains that accrue to the user in any chargeable period that ends on or after 17 March 2004;

“disposal” shall be construed in accordance with the TCGA 1992;

“lease and finance leaseback” has the same meaning as in section 228F of the CAA 2001;

“TCGA 1992” means the Taxation of Chargeable Gains Act 1992 (c. 12);

“user” means the person who is the lessee under the leaseback.

#### *Interpretation*

11 (1) In this Schedule—

“existing leaseback” means a leaseback the term of which began before 17 March 2004;

“pre-commencement rentals”, in relation to an existing leaseback, means—

(a) any amounts payable by the lessee to the lessor under the leaseback before 17 March 2004,

(b) any amounts so payable on or after 17 March 2004 in respect of a period that ends before 17 March 2004, or

(c) where any amounts are so payable on or after 17 March 2004 in respect of a period which begins before that date and ends on or after that date, the appropriate fraction of each of those amounts;

“transitional period of account” means a period of account that includes 17 March 2004.

(2) In this Schedule the “appropriate fraction”, in respect of an amount that relates to a particular period, means this fraction—

$$\frac{\text{Pre-commencement Period}}{\text{Whole Period}}$$

where—

“Pre-commencement Period” means the number of days in the part of the period that falls before 17 March 2004, and

“Whole Period” means the number of days in the whole of the period.

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## SCHEDULE 24

Section 136

### MANUFACTURED DIVIDENDS

#### *Amendments of sections 231AA, 231AB and 233 of the Taxes Act 1988*

F1046<sup>1</sup> .....

#### **Textual Amendments**

**F1046**Sch. 24 para. 1 repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), **Sch. 3 Pt. 1** (with Sch. 2)

#### *Amendments of paragraph 2A of Schedule 23A to the Taxes Act 1988*

F1047<sup>2</sup> .....

#### **Textual Amendments**

**F1047**Sch. 24 para. 2 repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), **Sch. 3 Pt. 1** (with Sch. 2)

#### *Amendment of the Taxation of Chargeable Gains Act 1992*

3 F1048<sup>(1)</sup> .....

F1049<sup>(2)</sup> .....

F1050<sup>(3)</sup> .....

#### **Textual Amendments**

**F1048**Sch. 24 para. 3(1) omitted (1.1.2014) by virtue of [Finance Act 2013 \(c. 29\)](#), **Sch. 29 paras. 11, 52**

**F1049**Sch. 24 para. 3(2) repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), **Sch. 3 Pt. 1** (with Sch. 2)

**F1050**Sch. 24 para. 3(3) omitted (1.1.2014) by virtue of [Finance Act 2013 \(c. 29\)](#), **Sch. 29 paras. 11, 52**

## SCHEDULE 25

Section 144

### LLOYD'S NAMES: CONVERSION TO LIMITED LIABILITY UNDERWRITING

1 The Finance Act 1993 (c. 34) is amended as follows.

2 After section 179A insert—

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### “179B Conversion to limited liability underwriting

Schedule 20A to this Act (which makes provision for certain reliefs to be available where a member converts to limited liability underwriting) shall have effect.”.

3 After Schedule 20 insert—

#### “SCHEDULE 20A

Section 179B

#### LLOYD’S UNDERWRITERS: CONVERSION TO LIMITED LIABILITY UNDERWRITING

#### PART 1

#### CONVERSION TO UNDERWRITING THROUGH SUCCESSOR COMPANIES

#### Introduction

- 1 (1) This Part of this Schedule applies if the following conditions are satisfied.
- (2) Condition 1 is that—
  - (a) a member gives notice of his resignation from membership of Lloyd’s in accordance with the rules or practice of Lloyd’s,
  - (b) in accordance with such rules or practice, the member does not undertake any new insurance business at Lloyd’s after the end of the member’s last underwriting year, and
  - (c) the member does not withdraw that notice.
- (3) Condition 2 is that all of the member’s outstanding syndicate capacity is disposed of by the member under a conversion arrangement to a successor company (“the syndicate capacity disposal”) with effect from the beginning of the underwriting year next following the member’s last underwriting year.
- (4) Condition 3 is that, immediately before the syndicate capacity disposal,—
  - (a) the member controls the successor company, and
  - (b) more than 50% of the ordinary share capital of the successor company is beneficially owned by the member.
- (5) Condition 4 is that the syndicate capacity disposal is made in consideration solely of the issue to the member of shares in the successor company.
- (6) Condition 5 is that the successor company starts to carry on its underwriting business in the underwriting year (“the successor company’s first underwriting year”) next following the member’s last underwriting year.
- (7) In this paragraph “the member’s last underwriting year”, in relation to a member who gives notice of his resignation from membership of Lloyd’s, means the underwriting year during which, or at the end of which, he ceases to be an underwriting member and becomes a non-underwriting member in accordance with the rules or practice of Lloyd’s.



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- (8) In this paragraph “outstanding syndicate capacity”, in relation to a member, means the syndicate capacity of the member other than any which—
- (a) the member disposes of to a person other than a successor member at or before the end of the member’s last underwriting year, or
  - (b) ceases to exist with effect from the end of that year.

### **Income tax: carry forward of loss relief following conversion**

- 2 (1) This paragraph applies if—
- (a) the member’s total income for a year of assessment includes any income derived by the member from the successor company (whether by way of dividends on the shares issued to the member or otherwise), and
  - (b) throughout the period beginning with the time of the syndicate capacity disposal and ending with the end of that year of assessment,  
—
    - (i) the member controls the successor company, and
    - (ii) more than 50% of the ordinary share capital of the successor company is beneficially owned by the member.
- (2) The carry-forward provision shall apply as if the income so derived were profits on which the member was assessed under Schedule D in respect of the member’s underwriting business for that year.
- (3) But where under the carry-forward provision as applied by sub-paragraph (2) above a loss falls to be deducted from or set off against any income for any year of assessment, the deduction or set-off shall be made in the first place against that part, if any, of the income in respect of which the member has been, or is liable to be, assessed to tax for that year.
- (4) In this paragraph “the carry-forward provision” means section 385 of the Taxes Act 1988 (carry-forward of trading losses against subsequent profits).

### **Capital gains tax: roll-over relief on disposal of syndicate capacity**

- 3 (1) This paragraph applies if—
- (a) the aggregate of any chargeable gains accruing to the member on the syndicate capacity disposal exceeds the aggregate of any allowable losses accruing to him on that disposal, and
  - (b) the member makes a claim under this paragraph to an officer of the Board.
- (2) The amount of the excess mentioned in sub-paragraph (1)(a) above (“the amount of the syndicate capacity gain”) shall for the purposes of capital gains tax be reduced by the amount of the rolled-over gain.
- (3) For the purpose of computing any chargeable gain accruing to the member on a disposal by him of any issued share or any asset directly or indirectly derived from any issued share—
- (a) the amount of the rolled-over gain shall be apportioned between the issued shares as a whole, and

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- (b) the sums allowable as a deduction under section 38(1)(a) of the Gains Tax Act shall be reduced by the amount apportioned to the issued share under paragraph (a) above; but, in the case of a derived asset, the reduction shall be by an appropriate proportion of that amount;
- and if the issued shares are not all of the same class, the apportionment between the shares under paragraph (a) above shall be in accordance with their market values at the time they were acquired by the member.
- (4) In this paragraph “the amount of the rolled-over gain” means the lesser of—
    - (a) the amount of the syndicate capacity gain, and
    - (b) the aggregate amount of any sums which would be allowable as a deduction under section 38(1)(a) of the Gains Tax Act if the issued shares were disposed of as a whole by the member in circumstances giving rise to a chargeable gain.
  - (5) In this paragraph the “issued shares” means the shares in the successor company issued to the member in consideration for the syndicate capacity disposal.

#### **Capital gains tax: roll-over relief on disposal of assets of ancillary trust fund**

- 4 (1) This paragraph applies if—
- (a) at the time of, or after, the syndicate capacity disposal, assets forming some or all of the member’s ancillary trust fund are—
    - (i) withdrawn from the fund, and
    - (ii) without unreasonable delay, disposed of by him to the successor company (the “ATF disposal”),
  - (b) the aggregate of any chargeable gains accruing to the member on the ATF disposal exceeds the aggregate of any allowable losses accruing to him on that disposal,
  - (c) throughout the period beginning with the time of the syndicate capacity disposal and ending with the time of the ATF disposal,—
    - (i) the member controls the successor company, and
    - (ii) more than 50% of the ordinary share capital of the successor company is beneficially owned by the member,
  - (d) the ATF disposal is made in consideration solely of the issue to the member of shares (the “issued shares”) in the successor company, and
  - (e) the member makes a claim under this paragraph to an officer of the Board.
- (2) But this paragraph does not apply if—
- (a) the member could have made a claim under paragraph 3 above, and
  - (b) at the time the member makes a claim under this paragraph, no claim under paragraph 3 above is or has been made by him.
- (3) The amount of the excess mentioned in sub-paragraph (1)(b) above (“the amount of the ATF assets gain”) shall for the purposes of capital gains tax be reduced by the amount of the rolled-over gain.

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- (4) For the purpose of computing any chargeable gain accruing to the member on a disposal by him of any issued share or any asset directly or indirectly derived from any issued share—
- (a) the amount of the rolled-over gain shall be apportioned between the issued shares as a whole, and
  - (b) the sums allowable as a deduction under section 38(1)(a) of the Gains Tax Act shall be reduced by the amount apportioned to the issued share under paragraph (a) above; but, in the case of a derived asset, the reduction shall be by an appropriate proportion of that amount;
- and if the issued shares are not all of the same class, the apportionment between the shares under paragraph (a) above shall be in accordance with their market values at the time they were acquired by the member.
- (5) In this paragraph “the amount of the rolled-over gain” means the lesser of—
- (a) subject to sub-paragraph (6) below, the amount of the ATF assets gain, and
  - (b) the aggregate amount of any sums which would be allowable as a deduction under section 38(1)(a) of the Gains Tax Act if the issued shares were disposed of as a whole by the member in circumstances giving rise to a chargeable gain.
- (6) If the market value, immediately before the ATF disposal, of the assets disposed of under that disposal exceeds the amount of the ATF assets required, the amount of the ATF assets gain shall for the purposes of sub-paragraph (5)(a) above be reduced by multiplying it by—

$$\frac{R}{T}$$

where—

R is the amount of the ATF assets required, and

T is the market value, immediately before the ATF disposal, of the assets disposed of under that disposal.

- (7) In sub-paragraph (6) above “the amount of the ATF assets required” means the lesser of—
- (a) the amount of security required to be provided by the member in respect of his underwriting business in the member’s last underwriting year, and
  - (b) the amount of security required to be provided by the successor company in respect of its underwriting business in the successor company’s first underwriting year.
- (8) This paragraph applies only on the first occasion on or after 6th April 2004 on which the member makes an ATF disposal.
- (9) If a claim made by the member under paragraph 3 above is revoked, this paragraph shall apply as if the claim had never been made.

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### Interpretation of this Part of this Schedule

- 5 (1) In this Part of this Schedule—
- “control” shall be construed in accordance with section 416 of the Taxes Act 1988;
  - “ordinary share capital” has the meaning given by section 832 (1) of the Taxes Act 1988;
  - “successor company” means a corporate member (within the meaning of Chapter 5 of Part 4 of the Finance Act 1994) which is a successor member;
  - “the member’s last underwriting year” has the meaning given by paragraph 1(7) above;
  - “the successor company’s first underwriting year” has the meaning given by paragraph 1(6) above;
  - “the syndicate capacity disposal” has the meaning given by paragraph 1(3) above;
  - “underwriting business”, in relation to a successor company, has the same meaning as in Chapter 5 of Part 4 of the Finance Act 1994.
- (2) For the purposes of this Part of this Schedule, shares comprised in any letter of allotment or similar instrument shall be treated as issued unless—
- (a) the right to the shares conferred by it remains provisional until accepted, and
  - (b) there has been no acceptance.
- (3) Paragraphs 3 and 4 above (and paragraph 1 above so far as relating to those paragraphs) are to be construed as one with the Gains Tax Act.

## PART 2

### CONVERSION TO UNDERWRITING THROUGH SUCCESSOR PARTNERSHIPS

#### Introduction

- 6 (1) This Part of this Schedule applies if the following conditions are satisfied.
- (2) Condition 1 is that—
- (a) a member gives notice of his resignation from membership of Lloyd’s in accordance with the rules or practice of Lloyd’s,
  - (b) in accordance with such rules or practice, the member does not undertake any new insurance business at Lloyd’s after the end of the member’s last underwriting year, and
  - (c) the member does not withdraw that notice.
- (3) Condition 2 is that all of the member’s outstanding syndicate capacity is disposed of by the member under a conversion arrangement to a successor partnership (“the syndicate capacity disposal”) with effect from the beginning of the underwriting year next following the member’s last underwriting year.

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- (4) Condition 3 is that the member is the only person who disposes of syndicate capacity under a conversion arrangement to the successor partnership.
- (5) Condition 4 is that the successor partnership starts to carry on its underwriting business in the underwriting year next following the member's last underwriting year.
- (6) In this paragraph "the member's last underwriting year", in relation to a member who gives notice of his resignation from membership of Lloyd's, means the underwriting year during which, or at the end of which, he ceases to be an underwriting member and becomes a non-underwriting member in accordance with the rules or practice of Lloyd's.
- (7) In this paragraph "outstanding syndicate capacity", in relation to a member, means the syndicate capacity of the member other than any which—
  - (a) the member disposes of to a person other than a successor member at or before the end of the member's last underwriting year, or
  - (b) ceases to exist with effect from the end of that year.

#### **Income tax: carry forward of loss relief following conversion**

- 7 (1) This paragraph applies if—
  - (a) the member's total income for a year of assessment includes profits of the successor partnership's underwriting business, and
  - (b) throughout the period beginning with the time of the syndicate capacity disposal and ending with the end of that year of assessment, the member is beneficially entitled to more than 50% of the profits of that business.
- (2) Section 385 of the Taxes Act 1988 (carry-forward of trading losses against subsequent profits) shall have effect, in its application in relation to the losses of the old underwriting business, as if the profits of the successor partnership's underwriting business to which the member is beneficially entitled for that year were profits on which the member was assessed under Schedule D in respect of the old underwriting business for that year.
- (3) In sub-paragraph (2) above "the old underwriting business" means the member's underwriting business carried on otherwise than through the successor partnership.

#### **Interpretation of this Part of this Schedule**

- 8 In this Part of this Schedule—
  - "successor partnership" means a limited partnership formed under the law of Scotland which is a successor member;
  - "the syndicate capacity disposal" has the meaning given by paragraph 6(3) above.

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### PART 3

#### SUPPLEMENTARY PROVISIONS

#### **Withdrawal of resignation notice**

- 9 (1) This paragraph applies if a member—
- (a) makes a claim for relief under or by virtue of this Schedule, and
  - (b) subsequently withdraws the notice of his resignation from membership of Lloyd's.
- (2) The member must give written notice of such withdrawal to an officer of the Board.
- (3) Such a notice must be given no later than six months from the date of the withdrawal of the notice of resignation.
- (4) All such adjustments shall be made, whether by discharge or repayment of tax, the making of assessments or otherwise, as are required as a result of the withdrawal of the notice of resignation (notwithstanding any limitation on the time within which any adjustment may be made).
- (5) If a member fails, fraudulently or negligently, to comply with sub-paragraphs (2) and (3) above, section 95 of the Taxes Management Act 1970 shall apply to him as if he had fraudulently or negligently made an incorrect return, statement or declaration in connection with the claim for relief made by him under or by virtue of this Schedule.
- (6) In this paragraph “tax” means income tax, capital gains tax or inheritance tax.

#### **Interpretation of this Schedule**

- 10 In this Schedule—
- “conversion arrangement” means a conversion arrangement made under the rules or practice of Lloyd's;
- “successor member” has the meaning given by the rules or practice of Lloyd's;
- “syndicate capacity”, in relation to a member, means an asset comprising the rights of the member under a syndicate in which he participates.

#### **Application of this Schedule**

- 11 (1) Paragraphs 2 and 3 above (and the other provisions of this Schedule so far as relating to those paragraphs) have effect in relation to syndicate capacity disposals (within the meaning of Part 1 of this Schedule) made on or after 6th April 2004.
- (2) Paragraph 4 above (and the other provisions of this Schedule so far as relating to that paragraph) have effect in relation to ATF disposals (within the meaning of that paragraph) made on or after 6th April 2004 (even if the

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syndicate capacity disposal mentioned in that paragraph was made before that date).

- (3) Paragraph 7 above (and the other provisions of this Schedule so far as relating to that paragraph) have effect in relation to syndicate capacity disposals (within the meaning of Part 2 of this Schedule) made on or after 6th April 2004.”.

## SCHEDULE 26

Section 145

### OFFSHORE FUNDS

#### *Computation of UK equivalent profits: creditor relationships*

- 1 <sup>F1051</sup>(1) .....
- (2) Paragraph 3 of Schedule 10 to the Finance Act 1996 (c. 8) (assumptions to be made in relation to creditor relationships) shall cease to have effect.
- (3) In relation to a fund established on or before the day on which this Act is passed, this paragraph only has effect if an election that it should have effect has been made by or on behalf of the fund.
- (4) Any such election—
- (a) must be made by notice to an officer of the Board, in such form and within such time as the Board may determine, and
  - (b) is irrevocable.
- (5) For the purpose of determining the United Kingdom equivalent profits of an offshore fund for the first account period of the fund in relation to which this paragraph has effect—
- (a) any profits, gains or losses arising from a creditor relationship that were taken into account in determining the United Kingdom equivalent profits of the fund for the preceding account period shall be disregarded, and
  - (b) any profits, gains or losses arising from a creditor relationship that—
    - (i) arose in, or in respect of, the preceding account period, but
    - (ii) were not taken into account in determining the United Kingdom equivalent profits of the fund for that period,shall be taken into account.
- (6) In this paragraph—
- “creditor relationship” has the same meaning as in [<sup>F1052</sup>Part 5 of the Corporation Tax Act 2009]; and
  - “United Kingdom equivalent profits” has the meaning given in paragraph 5 of Schedule 27 to the Taxes Act 1988.

#### **Textual Amendments**

**F1051**Sch. 26 para. 1(1) repealed (with effect in accordance with art. 1(2)(3), Sch. 1 of the amending S.I.) by [The Offshore Funds \(Tax\) Regulations 2009 \(S.I. 2009/3001\)](#), reg. 1(1), **Sch. 2**

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**F1052** Words in Sch. 26 para. 1(6) substituted (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 1 para. 581(2)** (with Sch. 2 Pts. 1, 2)

*Computation of UK equivalent profits: derivative contracts*

- 2 <sup>F1053</sup>(1) .....
- (2) Paragraph 35 of Schedule 26 to the Finance Act 2002 (c. 23) (assumptions to be made in relation to derivative contracts) shall cease to have effect.
- (3) In relation to a fund established on or before the day on which this Act is passed, this paragraph only has effect if an election that it should have effect has been made by or on behalf of the fund.
- (4) Any such election—
- (a) must be made by notice to an officer of the Board, in such form and within such time as the Board may determine, and
  - (b) is irrevocable.
- (5) For the purpose of determining the United Kingdom equivalent profits of an offshore fund for the first account period of the fund in relation to which this paragraph has effect—
- (a) any profits or losses arising from a derivative contract that were taken into account in determining the United Kingdom equivalent profits of the fund for the preceding account period shall be disregarded, and
  - (b) any profits or losses arising from a derivative contract that—
    - (i) arose in, or in respect of, the preceding account period, but
    - (ii) were not taken into account in determining the United Kingdom equivalent profits of the fund for that period,
 shall be taken into account.
- (6) In this paragraph—
- “derivative contract” has the same meaning as in [<sup>F1054</sup>Part 7 of the Corporation Tax Act 2009];
- “United Kingdom equivalent profits” has the meaning given in paragraph 5 of Schedule 27 to the Taxes Act 1988.

**Textual Amendments**

**F1053** Sch. 26 para. 2(1) repealed (with effect in accordance with art. 1(2)(3), Sch. 1 of the amending S.I.) by [The Offshore Funds \(Tax\) Regulations 2009 \(S.I. 2009/3001\)](#), reg. 1(1), **Sch. 2**

**F1054** Words in Sch. 26 para. 2(6) substituted (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 1 para. 581(3)** (with Sch. 2 Pts. 1, 2)

*Treatment of umbrella funds and funds comprising more than one class of interest*

- 3 At the beginning of Chapter 5 of Part 17 of that Act (offshore funds) insert—



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### *“Meaning of offshore fund*

#### **General definition of offshore fund**

756A) In this Chapter references to an offshore fund are to a collective investment scheme constituted by—

- (a) a company that is resident outside the United Kingdom, or
- (b) a unit trust scheme the trustees of which are not resident in the United Kingdom, or
- (c) arrangements not falling within paragraph (a) or (b) taking effect by virtue of the law of a territory outside the United Kingdom and which under that law create rights in the nature of co-ownership (without restricting that expression to its meaning in the law of any part of the United Kingdom).

(2) Subsection (1) has effect subject to—

section 756B (treatment of umbrella funds), and

section 756C (treatment of funds comprising more than one class of interest).

(3) In this section “collective investment scheme” has the meaning given by section 235 of the Financial Services and Markets Act 2000.

### *Treatment of umbrella funds*

#### **Treatment of umbrella funds**

756B) In this Chapter, an “umbrella fund” means an offshore fund—

- (a) which provides arrangements for separate pooling of the contributions of the participants and the profits or income out of which payments are made to them; and
- (b) under which the participants are entitled to exchange rights in one pool for rights in another;

and references in this Chapter to a part of an umbrella fund are to such of the arrangements as relate to a separate pool.

(2) For the purposes of this Chapter (except subsection (1))—

- (a) each part of an umbrella fund shall be regarded as a separate offshore fund, and
- (b) the umbrella fund as a whole shall not be regarded as an offshore fund.

(3) In this Chapter, in relation to a part of an umbrella fund—

- (a) a reference to the assets of an offshore fund is to such of the assets of the umbrella fund as under the arrangements form part of the separate pool to which that part of the umbrella fund relates;
- (b) a reference to the income of an offshore fund is to the income arising from those assets;
- (c) a reference to a person having an interest in an offshore fund is to a person for the time being having an interest in that separate pool; and

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- (d) a reference to an offshore fund being a non-qualifying fund shall be read in relation to times before the coming into force of this section as a reference to the umbrella fund being a non-qualifying fund.

*Treatment of funds comprising more than one class of interest*

### **Treatment of funds comprising more than one class of interest**

756(1) For the purposes of this Chapter where there is more than one class of interest in an offshore fund (the “main fund”)—

- (a) each class of interest shall be regarded as a separate offshore fund, and
- (b) the main fund shall not be regarded as an offshore fund.
- (2) In this section, references to a class of interest in an offshore fund do not include—
- (a) a part of an umbrella fund which is regarded as an offshore fund by virtue of section 756B, or
- (b) a class of interest in an offshore fund which by virtue of section 759(5), (6) or (8) is not a material interest in the fund.
- (3) In this Chapter, in relation to a class of interest in an offshore fund—
- (a) a reference to the assets of an offshore fund is to the assets of the main fund;
- (b) a reference to the income of an offshore fund is to such of the income of the main fund as is attributable to interests of that class under the arrangements constituting the main fund;
- (c) a reference to a person having an interest in an offshore fund is to a person for the time being having an interest of that class; and
- (d) a reference to an offshore fund being a non-qualifying fund shall be read in relation to times before the coming into force of this section as a reference to the main fund being a non-qualifying fund.”.

*Treatment of umbrella funds and funds comprising more than one class of interest*

F1055<sup>4</sup> .....

#### **Textual Amendments**

**F1055**Sch. 26 paras. 4-9 repealed (with effect in accordance with art. 1(2)(3), Sch. 1 of the amending S.I.) by [The Offshore Funds \(Tax\) Regulations 2009 \(S.I. 2009/3001\)](#), reg. 1(1), **Sch. 2**

*Treatment of umbrella funds and funds comprising more than one class of interest*

F1055<sup>5</sup> .....

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**Textual Amendments**

**F1055**Sch. 26 paras. 4-9 repealed (with effect in accordance with art. 1(2)(3), Sch. 1 of the amending S.I.) by [The Offshore Funds \(Tax\) Regulations 2009 \(S.I. 2009/3001\)](#), reg. 1(1), **Sch. 2**

*Treatment of umbrella funds and funds comprising more than one class of interest*

**F1055**<sup>6</sup> .....

**Textual Amendments**

**F1055**Sch. 26 paras. 4-9 repealed (with effect in accordance with art. 1(2)(3), Sch. 1 of the amending S.I.) by [The Offshore Funds \(Tax\) Regulations 2009 \(S.I. 2009/3001\)](#), reg. 1(1), **Sch. 2**

*Treatment of umbrella funds and funds comprising more than one class of interest*

**F1055**<sup>7</sup> .....

**Textual Amendments**

**F1055**Sch. 26 paras. 4-9 repealed (with effect in accordance with art. 1(2)(3), Sch. 1 of the amending S.I.) by [The Offshore Funds \(Tax\) Regulations 2009 \(S.I. 2009/3001\)](#), reg. 1(1), **Sch. 2**

*Treatment of umbrella funds and funds comprising more than one class of interest*

**F1055**<sup>8</sup> .....

**Textual Amendments**

**F1055**Sch. 26 paras. 4-9 repealed (with effect in accordance with art. 1(2)(3), Sch. 1 of the amending S.I.) by [The Offshore Funds \(Tax\) Regulations 2009 \(S.I. 2009/3001\)](#), reg. 1(1), **Sch. 2**

*Treatment of umbrella funds and funds comprising more than one class of interest*

**F1055**<sup>9</sup> .....

**Textual Amendments**

**F1055**Sch. 26 paras. 4-9 repealed (with effect in accordance with art. 1(2)(3), Sch. 1 of the amending S.I.) by [The Offshore Funds \(Tax\) Regulations 2009 \(S.I. 2009/3001\)](#), reg. 1(1), **Sch. 2**

*Treatment of umbrella funds and funds comprising more than one class of interest*

**F1056**<sup>10</sup> .....

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**Textual Amendments**

**F1056**Sch. 26 para. 10 repealed (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), **Sch. 3 Pt. 1** (with Sch. 2)

*Treatment of umbrella funds and funds comprising more than one class of interest*

- 11 In section 212 of the Taxation of Chargeable Gains Act 1992 (c. 12) (annual deemed disposal of holdings of unit trusts etc.) in subsection (6A)—
- (a) in paragraph (a), for “paragraphs (a) to (c) of subsection (1) of section 759” substitute “ paragraphs (a) to (c) of subsection (1) of section 756A ”;
  - (b) in paragraph (b), for “that section” substitute “ section 759 of that Act ”.

*Treatment of umbrella funds and funds comprising more than one class of interest*

**F1057**12 .....

**Textual Amendments**

**F1057**Sch. 26 para. 12 repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

*Investment conditions to be met by funds seeking certification as distributing fund*

**F1058**13 .....

**Textual Amendments**

**F1058**Sch. 26 paras. 13-16 repealed (with effect in accordance with art. 1(2)(3), Sch. 1 of the amending S.I.) by [The Offshore Funds \(Tax\) Regulations 2009 \(S.I. 2009/3001\)](#), reg. 1(1), **Sch. 2**

*Investment conditions to be met by funds seeking certification as distributing fund*

**F1058**14 .....

**Textual Amendments**

**F1058**Sch. 26 paras. 13-16 repealed (with effect in accordance with art. 1(2)(3), Sch. 1 of the amending S.I.) by [The Offshore Funds \(Tax\) Regulations 2009 \(S.I. 2009/3001\)](#), reg. 1(1), **Sch. 2**

*Exchange of interests of different classes*

**F1058**15 .....

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**Textual Amendments**

**F1058**Sch. 26 paras. 13-16 repealed (with effect in accordance with art. 1(2)(3), Sch. 1 of the amending S.I.) by [The Offshore Funds \(Tax\) Regulations 2009 \(S.I. 2009/3001\)](#), reg. 1(1), **Sch. 2**

*Correction of cross-reference*

**F1058**16 .....

**Textual Amendments**

**F1058**Sch. 26 paras. 13-16 repealed (with effect in accordance with art. 1(2)(3), Sch. 1 of the amending S.I.) by [The Offshore Funds \(Tax\) Regulations 2009 \(S.I. 2009/3001\)](#), reg. 1(1), **Sch. 2**

*Transitional provision*

- 17 (1) This paragraph applies for the purposes of determining whether an offshore fund that is—
- (a) a part of an umbrella fund (which is treated as an offshore fund under section 756B of the Taxes Act 1988), or
  - (b) a class of interest in a part of an umbrella fund (which is treated as an offshore fund under section 756C of that Act),
- may be certified as a distributing fund under Chapter 5 of Part 17 of that Act in respect of an account period ending on or after the day on which this Act is passed and on or before 31st December 2005.
- (2) Where this paragraph applies—
- (a) subsection (3) of section 760 of the Taxes Act 1988 shall not have effect, and
  - (b) the fund shall not be certified as a distributing fund in respect of a period if at any time in that period—
    - (i) more than 5 per cent by value of the assets of that offshore fund consists of interests in other offshore funds, and
    - (ii) more than 5 per cent by value of the assets of the umbrella fund consists of interests in other offshore funds.
- (3) Where this paragraph applies, references to subsection (3) of section 760 of the Taxes Act 1988 shall have effect as references to sub-paragraph (2)(b) above.
- (4) Words used in Chapter 5 of Part 17 of the Taxes Act 1988 have the same meaning in this paragraph as they have in that Chapter.

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SCHEDULE 27

Section 146

MEANING OF “OFFSHORE INSTALLATION”

PART 1

THE NEW DEFINITION

F1059<sup>1</sup> .....

**Textual Amendments**

**F1059**Sch. 27 paras. 1-3 repealed (with effect in accordance with s. 1184(1) of the amending Act) by Corporation Tax Act 2010 (c. 4), s. 1184(1), **Sch. 3 Pt. 1** (with Sch. 2)

F1059<sup>2</sup> .....

**Textual Amendments**

**F1059**Sch. 27 paras. 1-3 repealed (with effect in accordance with s. 1184(1) of the amending Act) by Corporation Tax Act 2010 (c. 4), s. 1184(1), **Sch. 3 Pt. 1** (with Sch. 2)

F1059<sup>3</sup> .....

**Textual Amendments**

**F1059**Sch. 27 paras. 1-3 repealed (with effect in accordance with s. 1184(1) of the amending Act) by Corporation Tax Act 2010 (c. 4), s. 1184(1), **Sch. 3 Pt. 1** (with Sch. 2)

PART 2

MINOR AND CONSEQUENTIAL AMENDMENTS

*The Taxes Act 1988*

F1060<sup>4</sup> .....

**Textual Amendments**

**F1060**Sch. 27 para. 4 repealed (with effect in accordance with s. 1034(1)(3) of the amending Act) by **Income Tax Act 2007** (c. 3), **Sch. 3 Pts. 1, 2** (with Sch. 2)

*The Taxes Act 1988*

F1061<sup>5</sup> .....

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### Textual Amendments

**F1061** Sch. 27 para. 5 repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), **Sch. 3 Pt. 1** (with Sch. 2)

#### *Finance Act 2000 (c. 17)*

- 6 (1) Schedule 15 to the Finance Act 2000 (the corporate venturing scheme) is amended as set out in sub-paragraphs (2) to (4).
- (2) In paragraph 23 (the trading activities requirement), in sub-paragraph (8)(a)(i) for “oil rigs” substitute “ offshore installations ”.
- (3) In paragraph 28 (excluded activities: leasing of ships), in sub-paragraph (1) for “oil rigs” substitute “ offshore installations ”.
- (4) In paragraph 28(6) omit the definition of “oil rig”.
- (5) This paragraph has effect in relation to shares issued on or after 6th April 2004.
- (6) Nothing in this paragraph affects the operation of Schedule 15 to the Finance Act 2000 in relation to shares issued before that date.

#### *Finance Act 2000 (c. 17)*

- 7 (1) In Schedule 22 to the Finance Act 2000 (tonnage tax), in paragraph 20 (vessels excluded from being qualifying ships) omit sub-paragraph (5).
- (2) This paragraph has effect for accounting periods ending on or after 1st April 2004.

#### *Capital Allowances Act 2001 (c. 2)*

- 8 In section 94 of the Capital Allowances Act 2001 (expenditure on ships that is not long-life asset expenditure) omit subsections (2)(b) and (3).

#### *Capital Allowances Act 2001 (c. 2)*

- 9 (1) Section 153 of the Capital Allowances Act 2001 (ships that are not qualifying ships) is amended as follows.
- (2) For subsection (2) substitute—
- “(2) A ship is not a qualifying ship at any time when it is an offshore installation.”
- (3) Omit subsection (3).

#### *Capital Allowances Act 2001 (c. 2)*

- 10 In Part 2 of Schedule 1 to the Capital Allowances Act 2001 (index of defined expressions) at the appropriate place insert—

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“offshore installation (except in Chapter section 837C of ICTA”  
13 of Part 2)

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*Capital Allowances Act 2001 (c. 2)*

- 11 (1) Paragraphs 8 to 10 have effect—
- (a) for income tax purposes, as respects allowances and charges falling to be made for chargeable periods ending on or after 6th April 2004;
  - (b) for corporation tax purposes, as respects allowances and charges falling to be made for chargeable periods ending on or after 1st April 2004.
- (2) In this paragraph “chargeable period” has the meaning given by section 6 of the Capital Allowances Act 2001.

*Income Tax (Earnings and Pensions) Act 2003 (c. 1)*

- 12 In section 40 of the Income Tax (Earnings and Pensions) Act 2003 (duties on board vessel or aircraft), in subsection (5) for paragraph (b) (meaning of ship) substitute—
- “(b) “ship” does not include an offshore installation;”.

*Income Tax (Earnings and Pensions) Act 2003 (c. 1)*

- 13 In section 305 of the Income Tax (Earnings and Pensions) Act 2003 (offshore oil and gas workers: mainland transfers), in subsection (6) omit the definition of “offshore installation”.

*Income Tax (Earnings and Pensions) Act 2003 (c. 1)*

- 14 For section 385 of the Income Tax (Earnings and Pensions) Act 2003 substitute—

**“385 Meaning of “ship”**

In this Chapter “ship” does not include an offshore installation.”

*Income Tax (Earnings and Pensions) Act 2003 (c. 1)*

- 15 In Part 2 of Schedule 1 to the Income Tax (Earnings and Pensions) Act 2003 (index of defined expressions) at the appropriate place insert—

---

“offshore installation	section 837C of ICTA”
------------------------	-----------------------

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*Income Tax (Earnings and Pensions) Act 2003 (c. 1)*

- 16 Paragraphs 12 to 15 have effect for the year 2004-05 and subsequent years of assessment.

*Income Tax (Earnings and Pensions) Act 2003 (c. 1)*

- 17 (1) Schedule 5 to the Income Tax (Earnings and Pensions) Act 2003 (enterprise management incentives) is amended as follows.
- (2) In paragraph 18 (excluded activities: leasing of certain ships), in sub-paragraph (1) for “oil rigs” substitute “ offshore installations ”.
- (3) In paragraph 18(2) for “oil rig” substitute “ offshore installation ”.



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- (4) In paragraph 18(8) omit the definition of “oil rig”.
- (5) In paragraph 59 (index of defined expressions) at the appropriate place insert—

---

“offshore installation” section 837C of ICTA”

---

- (6) This paragraph has effect in relation to a right to acquire shares in a company granted on or after 6th April 2004.
- (7) Nothing in this paragraph affects the operation of Schedule 5 to the Income Tax (Earnings and Pensions) Act 2003 in relation to a right to acquire shares in a company granted before that date.

## SCHEDULE 28

Sections 165 and 167

### REGISTERED PENSION SCHEMES: AUTHORISED PENSIONS—SUPPLEMENTARY

**Modifications etc. (not altering text)**

**C171** Sch. 28 modified by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\) Regulations 2006 \(S.I. 2006/207\)](#), regs. 1(1), **14** (as substituted (with effect in accordance with reg. 1(2) of the amending S.I.) by [S.I. 2012/1795](#), reg. 1(1), **5**)

## PART 1

### PENSION RULES

#### *Defined benefits and money purchase arrangements*

##### *Ill-health condition*

- 1 For the purposes of this Part the ill-health condition is met if—
- (a) the scheme administrator has received evidence from a registered medical practitioner that the member is (and will continue to be) incapable of carrying on the member’s occupation because of physical or mental impairment, and
  - (b) the member has in fact ceased to carry on the member’s occupation.

**Modifications etc. (not altering text)**

**C172** Sch. 28 para. 1 modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), **Sch. 3 Pt. 1**

#### *Scheme pension*

2 <sup>F1062</sup>(1) .....

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- (2) [<sup>F1063</sup>A] pension payable to the member is a scheme pension for the purposes of this Part if—
  - (a) it is payable by the scheme administrator or by an insurance company selected by the scheme administrator, and
  - (b) it satisfies the condition in sub-paragraph (3).
- (3) The condition is that (subject to sub-paragraph (4)—
  - (a) the pension is payable (at least annually) until the member’s death or until the later of the member’s death and the end of a term certain not exceeding ten years, and
  - (b) the rate of pension payable [<sup>F1064</sup>at any time during any] relevant 12 month period is not less than the rate payable [<sup>F1065</sup>at the relevant time].

- [<sup>F1066</sup>(3A) “The relevant time” is—
  - (a) in the case of the first relevant 12 month period, the day on which the member becomes entitled to the pension, and
  - (b) in the case of any other relevant 12 month period, immediately before the beginning of that period.]

- (4) None of the following prevent the pension satisfying the condition in sub-paragraph (3)—
  - [<sup>F1067</sup>(a) the reduction of the pension if the member became entitled to it by reason of the ill-health condition being met,]
  - (b) a reduction in the rate of the pension which applies to all the scheme pensions being paid to or in respect of members of the pension scheme, <sup>F1068</sup> ...
  - <sup>F1069</sup>(c) .....
  - [<sup>F1070</sup>(d) the reduction of the pension in consequence of a pension sharing order or provision,
  - (e) forfeiture of entitlement to the pension in circumstances prescribed by regulations made by the Board of Inland Revenue,
  - (f) the reduction of the pension in consequence of an order of a court,
  - (g) if the pension is under a public service pension scheme, its reduction by abatement, or
  - (h) the reduction of the pension in any other circumstances prescribed by regulations made by the Board of Inland Revenue.]

[<sup>F1071</sup>(4A) In sub-paragraph (4) references to the reduction of a pension include its ceasing to be payable (whether temporarily or permanently).]

<sup>F1072</sup>(4B) .....

<sup>F1073</sup>(5) .....

<sup>F1074</sup>(5A) .....

- (6) A pension is payable until the end of a term certain even if it may, after the death of the member during the term, end on the pensioner—
  - (a) marrying,
  - [<sup>F1075</sup>(aa) entering into a civil partnership,]
  - (b) reaching the age of 18, or
  - (c) ceasing to be in full-time education.

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- [<sup>F1076</sup>(6A) The Board of Inland Revenue may by regulations provide that if—
- (a) a scheme pension payable by an insurance company selected by the scheme administrator of a registered pension scheme (“the original scheme pension”) ceases to be payable, and
  - (b) in consequence of the transfer of sums or assets (or both) from the insurance company to another insurance company in connection with the original scheme pension ceasing to be payable, another scheme pension becomes payable by the other insurance company (“the new scheme pension”),
- the new scheme pension is to be treated, to such extent as is prescribed by the regulations and for such of the purposes of this Part as are so prescribed, as if it were the original scheme pension.]
- (7) A relevant 12 month period is any 12 month period which—
- (a) begins on or after the first anniversary of the day on which the member becomes entitled to the pension, and
  - (b) ends before the day on which the pension ceases to be payable.
- [<sup>F1077</sup>(8) Regulations under sub-paragraph [<sup>F1078</sup>(4)(e) or (h) <sup>F1079</sup>...] may include provision having effect in relation to times before they are made.]

#### Textual Amendments

**F1062**Sch. 28 para. 2(1) repealed (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 11\(2\), 64\(1\)](#), [Sch. 11 Pt. 4](#)

**F1063**Word in Sch. 28 para. 2(2) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 11\(3\)](#), 64(1)

**F1064**Words in Sch. 28 para. 2(3)(b) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 11\(4\)\(a\)](#), 64(1)

**F1065**Words in Sch. 28 para. 2(3)(b) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 11\(4\)\(b\)](#), 64(1)

**F1066**Sch. 28 para. 2(3A) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 11\(5\)](#), 64(1)

**F1067**Sch. 28 para. 2(4)(a) substituted (retrospectively) by [Finance Act 2007 \(c. 11\)](#), [Sch. 20 paras. 7\(2\)](#), 24(3)

**F1068**Word in Sch. 28 para. 2(4)(b) repealed (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 11\(6\)](#), 64(1), [Sch. 11 Pt. 4](#)

**F1069**Sch. 28 para. 2(4)(c) omitted (with effect in accordance with s. 20(6) of the amending Act) by virtue of [Finance Act 2016 \(c. 24\)](#), [s. 20\(2\)\(6\)](#); S.I. 2016/1005, reg. 2 (with regs. 1(2), 3, 4)

**F1070**Sch. 28 para. 2(4)(d)-(h) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 11\(6\)](#), 64(1)

**F1071**Sch. 28 para. 2(4A) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 11\(7\)](#), 64(1)

**F1072**Sch. 28 para. 2(4B) omitted (with effect in accordance with s. 20(6) of the amending Act) by virtue of [Finance Act 2016 \(c. 24\)](#), [s. 20\(3\)\(6\)](#); S.I. 2016/1005, reg. 2 (with regs. 1(2), 3, 4)

**F1073**Sch. 28 para. 2(5) omitted (with effect in accordance with s. 20(6) of the amending Act) by virtue of [Finance Act 2016 \(c. 24\)](#), [s. 20\(3\)\(6\)](#); S.I. 2016/1005, reg. 2 (with regs. 1(2), 3, 4)

**F1074**Sch. 28 para. 2(5A) omitted (with effect in accordance with s. 20(6) of the amending Act) by virtue of [Finance Act 2016 \(c. 24\)](#), [s. 20\(3\)\(6\)](#); S.I. 2016/1005, reg. 2 (with regs. 1(2), 3, 4)

**F1075**Sch. 28 para. 2(6)(aa) inserted (22.2.2007) by [The Tax and Civil Partnership Regulations 2007 \(S.I. 2007/493\)](#), regs. 1, [2\(2\)](#)

**F1076**Sch. 28 para. 2(6A) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 11\(8\)](#), 64(1)

**F1077**Sch. 28 para. 2(8) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 11\(9\)](#), 64(1)

**F1078**Words in Sch. 28 para. 2(8) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 20\(4\)](#)

**F1079**Words in [Sch. 28 para. 2\(8\)](#) omitted (with effect in accordance with s. 20(6) of the amending Act) by virtue of [Finance Act 2016 \(c. 24\)](#), [s. 20\(4\)\(6\)](#); S.I. 2016/1005, reg. 2 (with regs. 1(2), 3, 4)

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- [<sup>F1080</sup>2A(1) Where this paragraph applies in relation to a pension payable to the member, the pension scheme is to be treated as making an unauthorised payment to the member of the appropriate amount.
- (2) This paragraph applies to a pension if it fails to satisfy the condition in sub-paragraph (3) of paragraph 2—
- (a) by reason of not complying with paragraph (a) of that sub-paragraph, or
  - (b) by reason of not complying with paragraph (b) of that sub-paragraph because a substantial reduction occurs in the rate of the pension,
- or if it is a pension [<sup>F1081</sup>which is reduced in accordance with paragraph (a) of sub-paragraph (4) of paragraph 2, or the rate of which is reduced in accordance with paragraph (b) of that sub-paragraph, and] the reduction is part of avoidance arrangements.
- (3) For the purposes of sub-paragraph (2)(b) a substantial reduction occurs in the rate of a pension if the rate at which the pension is payable at any time during any relevant 12 month period (within the meaning of paragraph 2(7)) is less than 80% of the rate payable when the member became entitled to the pension.
- (4) For the purposes of sub-paragraph (2) “avoidance arrangements” includes schemes, arrangements and understandings of any kind (whether or not legally enforceable) the main purpose, or one of the main purposes, of which is to increase the member’s entitlement to a lump sum on which there is no liability to income tax.
- (5) “The appropriate amount”, in relation to the pension, is the amount of any lump sum on which there is no liability to tax to which the member became entitled in connection with the pension.
- (6) Once this paragraph has applied in relation to the pension, it does not apply in relation to it again.
- (7) The application of this paragraph in relation to the pension does not prevent any payments of the pension themselves being unauthorised member payments.]

#### Textual Amendments

**F1080**Sch. 28 para. 2A inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 12, 64\(1\)](#)

**F1081**Words in Sch. 28 para. 2A(2) substituted (19.7.2007) (with effect in accordance with Sch. 20 para. 24(4) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), [Sch. 20 para. 7\(3\)](#)

### *Money purchase arrangements*

#### *Lifetime annuity*

- 3 (1) For the purposes of this Part an annuity payable to the member is a lifetime annuity if—
- (a) it is payable by an insurance company,
  - (b) the member had an opportunity to select the insurance company,
  - [<sup>F1082</sup>(ba) the member becomes entitled to it before 6 April 2015,]
  - (c) it is payable until the member’s death or until the later of the member’s death and the end of a term certain not exceeding ten years, and
  - [<sup>F1083</sup>(d) its amount either cannot decrease or falls to be determined in any manner prescribed by regulations made by the Board of Inland Revenue.]

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- [<sup>F1084</sup>(1A) For the purposes of this Part, but subject to any provision made under sub-paragraph (2C)(za), an annuity payable to the member is also a lifetime annuity if—
- (a) it is payable by an insurance company,
  - (b) the member becomes entitled to it on or after 6 April 2015, and
  - (c) it is payable until the member's death or until the later of the member's death and the end of a term certain.]
- (2) An annuity is payable until the end of a term certain even if it may, after the death of the member during the term, end on the annuitant—
- (a) marrying,
  - [<sup>F1085</sup>(aa) entering into a civil partnership,]
  - (b) reaching the age of 18, or
  - (c) ceasing to be in full-time education.
- [<sup>F1086</sup>(2A) An annuity does not fail to satisfy sub-paragraph (1)(d) by reason of the operation of a pension sharing order or provision.
- (2B) The Board of Inland Revenue may by regulations make provision in relation to cases in which a lifetime annuity payable by an insurance company (“the original lifetime annuity”) ceases to be payable and in consequence of that—
- (a) sums or assets (or both) are transferred from the insurance company to another insurance company and are applied towards the provision of either another lifetime annuity (a “new lifetime annuity”) or a scheme pension, short-term annuity, dependants' scheme pension, dependants' annuity[<sup>F1087</sup>, nominees' annuity] or dependants' short-term annuity by the other insurance company, or
  - (b) sums or assets are transferred to the relevant registered pension scheme.
- (2C) The regulations may provide that—
- [ in a case where—
  - [<sup>F1088</sup>(za) (i) a new annuity becomes payable,
  - (ii) the member becomes entitled to it on or after 6 April 2015,
  - (iii) it would be a lifetime annuity if any provision made under this paragraph were ignored,
  - (iv) the terms of the contract for it are such that there will or could be decreases in its amount other than allowed decreases (see sub-paragraph (2E)), and
  - (v) any other conditions prescribed by the regulations are met,
- the new annuity is not a lifetime annuity for the purposes of this Part,]
- (a) in a case where a new lifetime annuity becomes payable, the new lifetime annuity is to be treated, to such extent as is prescribed by the regulations and for such of the purposes of this Part as are so prescribed, as if it were the original lifetime annuity, and
  - (b) in [<sup>F1089</sup>a case other than one where a new lifetime annuity becomes payable], the relevant registered pension scheme is to be treated as making an unauthorised payment to the member of an amount equal to the aggregate of the amount of the sums, and the market value of the assets, transferred.

[<sup>F1090</sup>(2CA) . . . . .

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(2D) For the purposes of sub-paragraphs (2B) and (2C) a registered pension scheme is the relevant registered pension scheme if the original lifetime annuity was acquired using sums or assets held for the purposes of the pension scheme.]

[<sup>F1091</sup>(2E) In sub-paragraph (2C)(za)(iv) “allowed decreases” means decreases from time to time allowed by regulations under sub-paragraph (1)(d); and any such regulations are to be treated as having effect for this purpose.]

- F1092(3) . . . . .
- F1092(4) . . . . .
- F1092(5) . . . . .
- F1092(6) . . . . .

**Textual Amendments**

**F1082**Sch. 28 para. 3(1)(ba) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 43**

**F1083**Sch. 28 para. 3(1)(d) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), **Sch. 10 paras. 13(2)**, 64(1)

**F1084**Sch. 28 para. 3(1A) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 37**

**F1085**Sch. 28 para. 3(2)(aa) inserted (22.2.2007) by [The Tax and Civil Partnership Regulations 2007 \(S.I. 2007/493\)](#), [regs. 1, 2\(2\)](#)

**F1086**Sch. 28 para. 3(2A)-(2D) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), **Sch. 10 paras. 13(3)**, 64(1)

**F1087**Words in Sch. 28 para. 3(2B)(a) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), **Sch. 4 para. 13(2)**

**F1088**Sch. 28 para. 3(2C)(za) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 44(1)(a)**

**F1089**Words in Sch. 28 para. 3(2C)(b) substituted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 44(1)(b)**

**F1090**Sch. 28 para. 3(2CA) omitted (21.7.2009) by virtue of [Finance Act 2009 \(c. 10\)](#), [s. 75\(2\)\(d\)](#)

**F1091**Sch. 28 para. 3(2E) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 44(2)**

**F1092**Sch. 28 para. 3(3)-(6) repealed (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 13\(4\)](#), 64(1), **Sch. 11 Pt. 4**

*[<sup>F1093</sup>Drawdown pension]*

**Textual Amendments**

**F1093**Sch. 28 para. 4 cross-heading substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 3(2)**

- 4 “[<sup>F1094</sup>Drawdown pension]” means—
- (a) a short-term annuity, or
  - (b) income withdrawal.

**Textual Amendments**

**F1094**Words in Sch. 28 para. 4 substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 3(1)**

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F1095 5 .....

#### Textual Amendments

F1095 Sch. 28 para. 5 omitted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by virtue of Finance Act 2011 (c. 11), Sch. 16 para. 78(a)

#### Short-term annuity

- 6 (1) [F1096 For the purposes of this Part an] annuity payable to the member is a short-term annuity if—
- (a) it is purchased by the application of sums or assets representing the whole or any part of the [F1097 member's drawdown pension fund] in respect of an arrangement,
  - (b) it is payable by an insurance company,
  - (c) the member had an opportunity to select the insurance company,
  - [F1098 (ca) the member becomes entitled to it before 6 April 2015,]
  - (d) it is payable for a term which does not exceed five years F1099 ..., and
  - [F1100 (e) its amount either cannot decrease or falls to be determined in any manner prescribed by regulations made by the Board of Inland Revenue.]
- [F1101 (1ZA) For the purposes of this Part, but subject to any provision made under sub-paragraph (1C)(za), an annuity payable to the member is also a short-term annuity if—
- (a) it is purchased by the application of sums or assets representing the whole or any part of the member's drawdown pension fund, or of the member's flexi-access drawdown fund, in respect of an arrangement,
  - (b) it is payable by an insurance company,
  - (c) the member becomes entitled to it on or after 6 April 2015, and
  - (d) it is payable for a term which does not exceed five years.]
- [F1102 (1A) An annuity does not fail to satisfy sub-paragraph (1)(e) by reason of the operation of a pension sharing order or provision.
- (1B) The Board of Inland Revenue may by regulations make provision in relation to cases in which a short-term annuity payable by an insurance company (“the original short-term annuity”) ceases to be payable and in consequence of that—
- (a) sums or assets (or both) are transferred from the insurance company to another insurance company and are applied towards the provision of either another short-term annuity (a “new short-term annuity”) or a scheme pension, lifetime annuity, dependants' scheme pension, dependants' annuity[F1103, nominees' annuity] or dependants' short-term annuity by the other insurance company, or
  - (b) sums or assets are transferred to the relevant registered pension scheme.
- (1C) The regulations may provide that—
- [ in a case where—
  - F1104 (za) (i) a new annuity becomes payable,
  - (ii) the member becomes entitled to it on or after 6 April 2015,

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- (iii) it would be a short-term annuity if any provision made under this paragraph were ignored,
  - (iv) the terms of the contract for it are such that there will or could be decreases in its amount other than allowed decreases (see sub-paragraph (1E)), and
  - (v) any other conditions prescribed by the regulations are met,
- the new annuity is not a short-term annuity for the purposes of this Part.]
- (a) in a case where a new short-term annuity becomes payable, the new short-term annuity is to be treated, to such extent as is prescribed by the regulations and for such of the purposes of this Part as are so prescribed, as if it were the original short-term annuity, and
  - (b) in [<sup>F1105</sup>a case other than one where a new short-term annuity becomes payable], the relevant registered pension scheme is to be treated as making an unauthorised payment to the member of an amount equal to the aggregate of the amount of the sums, and the market value of the assets, transferred.

(1D) For the purposes of sub-paragraphs (1B) and (1C) a registered pension scheme is the relevant registered pension scheme if the original short-term annuity was acquired using sums or assets held for the purposes of the pension scheme.]

[<sup>F1106</sup>(1E) In sub-paragraph (1C)(za)(iv) “allowed decreases” means decreases from time to time allowed by regulations under sub-paragraph (1)(e); and any such regulations are to be treated as having effect for this purpose.]

<sup>F1107</sup>(2) . . . . .

**Textual Amendments**

- F1096** Words in Sch. 28 para. 6(1) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), **Sch. 10 paras. 14(2)**, 64(1)
- F1097** Words in Sch. 28 para. 6(1)(a) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 4(a)**
- F1098** Sch. 28 para. 6(1)(ca) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 45**
- F1099** Words in Sch. 28 para. 6(1)(d) omitted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 4(b)**
- F1100** Sch. 28 para. 6(1)(e) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), **Sch. 10 paras. 14(3)**, 64(1)
- F1101** Sch. 28 para. 6(1ZA) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 38**
- F1102** Sch. 28 para. 6(1A)-(1D) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), **Sch. 10 paras. 14(4)**, 64(1)
- F1103** Words in Sch. 28 para. 6(1B)(a) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), **Sch. 4 para. 13(3)**
- F1104** Sch. 28 para. 6(1C)(za) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 46(1)(a)**
- F1105** Words in Sch. 28 para. 6(1C)(b) substituted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 46(1)(b)**
- F1106** Sch. 28 para. 6(1E) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 46(2)**
- F1107** Sch. 28 para. 6(2) repealed (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 14\(5\)](#), 64(1), **Sch. 11 Pt. 4**

**Modifications etc. (not altering text)**

- C173** Sch. 28 para. 6 modified (27.7.2010) by [Finance \(No. 2\) Act 2010 \(c. 31\)](#), **Sch. 3 para. 3(1)**
- C174** Sch. 28 para. 6 modified (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 87**



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### *Income withdrawal*

[<sup>F1108</sup>7 Income withdrawal” means an amount (other than an annuity) which the member is entitled to be paid from the member's drawdown pension fund in respect of an arrangement [<sup>F1109</sup>or from the member's flexi-access drawdown fund in respect of an arrangement].]

#### **Textual Amendments**

**F1108** Sch. 28 para. 7 substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 5**

**F1109** Words in Sch. 28 para. 7 inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 19**

#### **Modifications etc. (not altering text)**

**C175** Sch. 28 para. 7 modified (27.7.2010) by [Finance \(No. 2\) Act 2010 \(c. 31\)](#), [Sch. 3 para. 2\(1\)\(2\)\(b\)\(i\)](#) (with [Sch. 2 para. 2\(1\)](#))

### *[<sup>F1110</sup>Member's drawdown pension fund]*

#### **Textual Amendments**

**F1110** Sch. 28 para. 8 cross-heading substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 6(6)**

8 (1) For the purposes of this Part the [<sup>F1111</sup>member's drawdown pension fund] in respect of an arrangement consists of such of the sums or assets held for the purposes of the arrangement [<sup>F1112</sup>as are member-designated funds.]

[<sup>F1113</sup>(1A) For the purposes of this Part sums or assets held for the purposes of an arrangement are member-designated funds if <sup>F1114</sup>...—

(a) [<sup>F1115</sup>they have, at any time before 6 April 2015, been designated] under the arrangement as available for the payment of [<sup>F1116</sup>drawdown pension],

[<sup>F1117</sup>(aa) they have, at any time on or after 6 April 2015, been designated under the arrangement as available for the payment of drawdown pension, and—

(i) sums or assets held for the purposes of the arrangement have, at any time before 6 April 2015, been designated under the arrangement as so available, and

(ii) section 165(3A) did not apply to the arrangement immediately before 6 April 2015.] or

(b) [<sup>F1118</sup>they] arise, or (directly or indirectly) derive, from [<sup>F1119</sup>member-designated funds under paragraph (a) or (aa) or from sums or assets] which so arise or derive,

and have not been applied towards the provision of a scheme pension.]

<sup>F1120</sup>(2) .....

<sup>F1120</sup>(3) .....

[<sup>F1121</sup>(4) If any sums or assets representing the member's [<sup>F1122</sup>drawdown pension fund] in respect of an arrangement under the pension scheme would (apart from this sub-

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paragraph) come to be taken to represent another unsecured pension fund of his under the pension scheme, or a dependant's [<sup>F1122</sup>drawdown pension fund] of his under the pension scheme, they are to be treated as not doing so.]

#### Textual Amendments

- F1111** Words in Sch. 28 para. 8(1) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 6\(2\)](#)
- F1112** Words in Sch. 28 para. 8(1) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 18\(2\)](#), 64(1)
- F1113** Sch. 28 para. 8(1A) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 18\(3\)](#), 64(1)
- F1114** Word in Sch. 28 para. 8(1A) omitted (17.12.2014) by virtue of [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 2\(a\)](#)
- F1115** Words in Sch. 28 para. 8(1A)(a) substituted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 2\(b\)](#)
- F1116** Words in Sch. 28 para. 8(1A)(a) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 6\(3\)](#)
- F1117** Sch. 28 para. 8(1A)(aa) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 2\(c\)](#)
- F1118** Word in Sch. 28 para. 8(1A)(b) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 2\(d\)\(i\)](#)
- F1119** Words in Sch. 28 para. 8(1A)(b) substituted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 2\(d\)\(ii\)](#)
- F1120** Sch. 28 para. 8(2)(3) omitted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 6\(4\)](#)
- F1121** Sch. 28 para. 8(4) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 18\(5\)](#), 64(1)
- F1122** Words in Sch. 28 para. 8(4) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 6\(5\)](#)

#### Modifications etc. (not altering text)

- C176** Sch. 28 para. 8 modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), [29\(1\)-\(3\)](#)
- C177** Sch. 28 para. 8 modified (27.7.2010) by [Finance \(No. 2\) Act 2010 \(c. 31\)](#), [Sch. 3 para. 8\(1\)\(2\)](#)
- C178** Sch. 28 para. 8(1A) modified (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 88](#)

<sup>F1123</sup>*Member's flexi-access drawdown fund*

#### Textual Amendments

- F1123** Sch. 28 paras. 8A-8D and cross-headings inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 3(2) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 3\(1\)](#)

- 8A (1) For the purposes of this Part the member's flexi-access drawdown fund in respect of an arrangement consists of such of the sums or assets held for the purposes of the arrangement as are newly-designated funds.
- (2) For the purposes of this Part sums or assets held for the purposes of an arrangement are newly-designated funds if—
- (a) they—
    - (i) have, at any time on or after 6 April 2015, been designated under the arrangement as available for the payment of drawdown pension, and
    - (ii) are not member-designated funds, or

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- (b) they were member-designated funds immediately before 6 April 2015 and section 165(3A) applied to the arrangement at that time, or
  - (c) they have become newly-designated funds by the operation of paragraph 8B, 8C or 8D, or
  - (d) they arise, or (directly or indirectly) derive, from newly-designated funds under paragraph (a), (b) or (c) or from sums or assets which so arise or derive.
- (3) Any sums or assets that become newly-designated funds under sub-paragraph (2)(b) cease to be member-designated funds as from the start of 6 April 2015.

*Conversion of certain drawdown pension funds into flexi-access drawdown funds*

- 8B (1) Sub-paragraph (2) applies if—
- (a) a member's drawdown pension fund in respect of an arrangement came into being before 6 April 2015,
  - (b) section 165(3A) did not apply to the arrangement immediately before 6 April 2015, and
  - (c) at a time on or after 6 April 2015, a payment—
    - (i) of income withdrawal from the fund, or
    - (ii) of a short-term annuity purchased using sums or assets out of the fund,is made that (apart from sub-paragraph (2)) would breach the cap.
- (2) The sums and assets that make up the fund immediately before the payment is made become newly-designated funds immediately before the payment is made (so that the payment is made out of the member's flexi-access drawdown fund in respect of the arrangement and therefore is not part of the total capped by pension rule 5).
- (3) For the purposes of sub-paragraph (1)(c), a payment of drawdown pension in respect of an arrangement is one that would breach the cap if, when its amount is added to the amounts of any drawdown pension in respect of the arrangement—
- (a) paid—
    - (i) before it is made, but
    - (ii) in the same drawdown pension year in respect of the arrangement, or
  - (b) paid at the time it is made,
- the total is greater than the cap set by pension rule 5 for that drawdown pension year.
- 8C (1) Sub-paragraph (2) applies if—
- (a) a member's drawdown pension fund in respect of an arrangement came into being before 6 April 2015,
  - (b) section 165(3A) did not apply to the arrangement immediately before 6 April 2015, and
  - (c) the member notifies the [<sup>F1124</sup>scheme manager] that the member wishes the fund to become the member's flexi-access drawdown fund in respect of the arrangement.
- (2) At—
- (a) the time the [<sup>F1124</sup>scheme manager] accepts the notification, or
  - (b) the start of 6 April 2015 if that is later,
- the sums and assets that then make up that fund become newly-designated funds, if they have not previously done so by the operation of paragraph 8B.

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**Textual Amendments**

**F1124** Words in Sch. 28 paras. 8C, 8D substituted by S.I. 2006/207, reg. 14(3)(ba) (as inserted (6.4.2015) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 33(3)(a)(4)** (with [Sch. 1 para. 33\(5\)](#))

- 8D (1) Sub-paragraphs (2) and (3) apply if—
- (a) there is a recognised transfer from one registered pension scheme (“the old scheme”) to another registered pension scheme (“the new scheme”) of member-designated funds held for the purposes of an arrangement under the old scheme, and
  - (b) the sums or assets transferred are, under the arrangement under the new scheme for whose purposes they are first held after the transfer, designated as available for the payment of drawdown pension.
- (2) If the member, when or before making the designation, notifies the [<sup>F1124</sup>scheme manager] of the new scheme that the member wishes the sums or assets to be newly-designated funds, the sums or assets become newly-designated funds and do so—
- (a) when the designation is made, or
  - (b) if later, immediately after the transfer,
- except that, if both the designation and transfer are made before 6 April 2015, the sums or assets become newly-designated funds at the start of 6 April 2015.
- (3) If sub-paragraph (2) does not provide for the sums or assets to become newly-designated funds, the sums or assets become member-designated funds and do so—
- (a) when the designation is made, or
  - (b) if later, immediately after the transfer.]

**Textual Amendments**

**F1124** Words in Sch. 28 paras. 8C, 8D substituted by S.I. 2006/207, reg. 14(3)(ba) (as inserted (6.4.2015) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 33(3)(a)(4)** (with [Sch. 1 para. 33\(5\)](#))

*[<sup>F1125</sup>Drawdown pension year and basis amount for drawdown pension year]*

**Textual Amendments**

**F1125** Sch. 28 para. 9 cross-heading substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 7(4)**

- 9 (1) [<sup>F1126</sup>“Drawdown pension year”] means—
- (a) the period of 12 months beginning with the day on which the member first becomes entitled to [<sup>F1127</sup>drawdown pension] in respect of the arrangement, and
  - (b) each succeeding period of 12 months.
- [<sup>F1128</sup>This is subject to paragraph 10B.]
- [<sup>F1129</sup>(2) The drawdown pension year in which the member dies is the last drawdown pension year and ends immediately before the member's death.]

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### Textual Amendments

- F1126** Words in Sch. 28 para. 9(1) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 7\(2\)\(a\)](#)
- F1127** Words in Sch. 28 para. 9(1)(a) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 7\(2\)\(b\)](#)
- F1128** Words in Sch. 28 para. 9(1) inserted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 7\(2\)\(c\)](#)
- F1129** Sch. 28 para. 9(2) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 7\(3\)](#)

### Modifications etc. (not altering text)

- C179** Sch. 28 para. 9(1) modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), [29\(1\)\(2\)\(4\)](#)
- C180** Sch. 28 para. 9(1)(a) modified (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 92\(2\)](#)
- C181** Sch. 28 para. 9(1)(a) modified (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 89\(2\)](#)
- C182** Sch. 28 para. 9(1)(a) modified (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 93\(2\)](#)
- C183** Sch. 28 para. 9(1)(a) modified (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 92\(4\)](#)
- C184** Sch. 28 para. 9(2) modified (27.7.2010) by [Finance \(No. 2\) Act 2010 \(c. 31\)](#), [Sch. 3 para. 2\(1\)\(2\)\(b\)\(ii\)](#) (with [Sch. 2 para. 2\(1\)](#))

### *Unsecured pension year and basis amount for unsecured pension year*

**[<sup>F10130</sup>(A1)]** This paragraph applies in relation to drawdown pension years beginning on or before the member's 75th birthday.

(1) Subject as follows, the period of three drawdown pension years beginning with the first drawdown pension year, and each succeeding period of three drawdown pension years, is a “reference period”.

(1ZA) But the reference period in which the member reaches the age of 75 ends with the drawdown pension year in which the member reaches that age.]

**[<sup>F1131</sup>(1A)]** Sub-paragraph (1B) applies if, at any time during a reference period (“the current reference period”), the member notifies the scheme administrator that the member wishes a new reference period to begin on the next day that is an anniversary of the reference date in relation to the current reference period.

(1B) The scheme administrator may determine—

- (a) that the current reference period is to end immediately before that day (so that sub-paragraph (1) no longer applies), and
- (b) that (subject to <sup>F1132</sup>sub-paragraph (1ZA) and] any further operation of this sub-paragraph) the period of [<sup>F1133</sup>three drawdown pension years] beginning with that day, and each succeeding period of [<sup>F1133</sup>three drawdown pension years], is to be a reference period.

(1C) The first day of each reference period is, in relation to that period, “the reference date”.]

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- (2) For the first [<sup>F1134</sup>drawdown pension year] falling within a reference period, the basis amount is the annual amount of the relevant annuity which could have been purchased by the application of the sums and assets representing the [<sup>F1135</sup>member's drawdown pension fund] on the nominated date (but subject to sub-paragraph (5)).
- (3) “The nominated date”—
- (a) in relation to the first reference period, is the reference date, and
  - (b) in relation to any subsequent reference period, is such day, within the period of 60 days ending with the reference date, as is nominated by the scheme administrator (or, if no day is nominated by the scheme administrator, is the reference date).
- (4) For each other [<sup>F1136</sup>drawdown pension year] falling within a reference period, the basis amount is the annual amount of the relevant annuity which could have been purchased by the application of the sums and assets representing the [<sup>F1137</sup>member's drawdown pension fund]—
- (a) if there has been no recent annuity purchase[<sup>F1138</sup>, recent additional fund designation or recent pension sharing event], on the nominated date, and
  - (b) otherwise, immediately after the last annuity purchase[<sup>F1139</sup>, additional fund designation or pension sharing event],
- (but subject to sub-paragraph (5)).
- (5) On the occasion of each additional fund designation during [<sup>F1140</sup>a drawdown pension year], the basis amount for [<sup>F1141</sup>that drawdown pension year] is to be recalculated in accordance with sub-paragraph (6).
- (6) The basis amount for the [<sup>F1142</sup>drawdown pension year] is the annual amount of the relevant annuity which could have been purchased by the application of the sums and assets representing the [<sup>F1143</sup>member's drawdown pension fund] immediately after the additional fund designation.
- [<sup>F1144</sup>(6A) But sub-paragraph (5) does not apply where the operation of that sub-paragraph in relation to an additional fund designation during a drawdown pension year would reduce the basis amount for that drawdown pension year.]
- (7) “Annuity purchase” means the purchase of a scheme pension or a lifetime annuity by the application of sums or assets representing the whole or part of the [<sup>F1145</sup>member's drawdown pension fund].
- (8) “Additional fund designation” means the designation under the arrangement of further sums or assets held for the purposes of the arrangement as available for the payment of [<sup>F1146</sup>drawdown pension].
- [<sup>F1147</sup>(8A) “Pension sharing event” means the coming into operation of a pension sharing order or provision relating to the sums and assets representing the [<sup>F1148</sup>member's drawdown pension fund].]
- (9) An annuity purchase[<sup>F1149</sup>, additional fund designation or pension sharing event] is “recent” if it took place during the period—
- (a) beginning with the reference date, and
  - (b) ending with the last day of the immediately preceding [<sup>F1150</sup>drawdown pension year].

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(10) Paragraph 14 defines “relevant annuity”.

<sup>F1151</sup>(11) . . . . .

#### Textual Amendments

- F1130** Sch. 28 para. 10(1)(1ZA)(A1) substituted for Sch. 28 para. 10(1) (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 8(2)**
- F1131** Sch. 28 para. 10(1)-(1C) substituted (19.7.2007) for Sch. 28 para. 10(1) (with effect in accordance with Sch. 20 para. 24(5) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), **Sch. 20 para. 8(2)**
- F1132** Words in Sch. 28 para. 10(1B)(b) inserted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 8(3)(a)**
- F1133** Words in Sch. 28 para. 10(1B)(b) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 8(3)(b)**
- F1134** Words in Sch. 28 para. 10(2) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 8(4)(a)**
- F1135** Words in Sch. 28 para. 10(2) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 8(4)(b)**
- F1136** Words in Sch. 28 para. 10(4) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 8(4)(a)**
- F1137** Words in Sch. 28 para. 10(4) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 8(4)(b)**
- F1138** Words in Sch. 28 para. 10(4)(a) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), **Sch. 10 paras. 19(2)(a), 64(1)**
- F1139** Words in Sch. 28 para. 10(4)(b) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), **Sch. 10 paras. 19(2)(b), 64(1)**
- F1140** Words in Sch. 28 para. 10(5) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 8(5)(a)**
- F1141** Words in Sch. 28 para. 10(5) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 8(5)(b)**
- F1142** Words in Sch. 28 para. 10(6) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 8(6)(a)**
- F1143** Words in Sch. 28 para. 10(6) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 8(6)(b)**
- F1144** Sch. 28 para. 10(6A) inserted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 8(7)**
- F1145** Words in Sch. 28 para. 10(7) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 8(8)**
- F1146** Words in Sch. 28 para. 10(8) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 8(9)**
- F1147** Sch. 28 para. 10(8A) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), **Sch. 10 paras. 19(3), 64(1)**
- F1148** Words in Sch. 28 para. 10(8A) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 8(10)**
- F1149** Words in Sch. 28 para. 10(9) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), **Sch. 10 paras. 19(4), 64(1)**
- F1150** Words in Sch. 28 para. 10(9)(b) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 8(11)**
- F1151** Sch. 28 para. 10(11) omitted (6.4.2015) by virtue of [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 32(1)(e)(i)(4)**

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**Modifications etc. (not altering text)**

- C185** Sch. 28 para. 10 modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), 3, 5(1)(2)
- C186** Sch. 28 para. 10 modified (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 90\(2\)\(b\)](#)
- C187** Sch. 28 para. 10(4) applied (with modifications) (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 90\(7\)](#)
- C188** Sch. 28 para. 10(7)-(8A) modified (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 90\(8\)](#)

<sup>F1152</sup>(A) This paragraph applies in relation to drawdown pension years beginning after the member's 75th birthday.

- (2) For the first drawdown pension year beginning after the member reached the age of 75, and each succeeding drawdown pension year, the basis amount is the annual amount of the relevant annuity which could have been purchased by the application of the sums and assets representing the member's drawdown pension fund on the nominated date.
- (3) In a case where the member first becomes entitled to drawdown pension in respect of the arrangement after reaching the age of 75, “the nominated date”, in relation to the first drawdown pension year in respect of the arrangement, is the first day of that year.
- (4) In any other case, “the nominated date”, in relation to the first drawdown pension year beginning after the member reached the age of 75, is—
  - (a) if the member and the scheme administrator so agree, the day immediately before the member's 75th birthday, or
  - (b) if they do not so agree, such day within the period of 60 days ending with the first day of the drawdown pension year as is nominated by the scheme administrator (or, if no day is nominated by the scheme administrator, the first day of that year).
- (5) “The nominated date”, in relation to each other drawdown pension year, is such day within the period of 60 days ending with the first day of the drawdown pension year as is nominated by the scheme administrator (or, if no day is nominated by the scheme administrator, is the first day of that year).
- (6) On the occasion of each additional fund designation during a drawdown pension year, the basis amount of that drawdown pension year is to be recalculated in accordance with sub-paragraph (7).
- (7) The basis amount for the drawdown pension year is the annual amount of the relevant annuity which could have been purchased by the application of the sums and assets representing the member's drawdown pension fund immediately after the additional fund designation.
- (8) But sub-paragraph (6) does not apply where the operation of that sub-paragraph in relation to an additional fund designation during a drawdown pension year would reduce the basis amount for that drawdown pension year.
- (9) “Additional fund designation” has the meaning given by paragraph 10(8).
- (10) Paragraph 14 defines “relevant annuity”.

<sup>F1153</sup>(11) .....



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**Textual Amendments**

**F1152** Sch. 28 paras. 10A, 10B inserted (with effect in accordance with Sch. 16 paras. 85, 91(3) of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 9](#)

**F1153** Sch. 28 para. 10A(11) omitted (6.4.2015) by virtue of [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 32\(1\)\(e\)\(ii\)\(4\)](#)

- 10B (1) This paragraph applies if the member has reached the age of 75.
- (2) Sub-paragraph (3) applies if, at any time during a drawdown pension year in respect of an arrangement (“the current drawdown pension year”), the member notifies the scheme administrator that the member wishes the drawdown pension year following the current drawdown pension year to begin on the day on which the next drawdown pension year in respect of another arrangement relating to the member under the pension scheme (including any arrangement relating to that person as a dependant) will begin.
- (3) The scheme administrator may determine—
- (a) that the current drawdown pension year is to end immediately before that day, and
  - (b) that the period of 12 months beginning with that day, and each succeeding period of 12 months, is a drawdown pension year in respect of the arrangement.
- (4) The scheme administrator may not make a determination under this paragraph more than once in relation to the same arrangement.]

**Textual Amendments**

**F1152** Sch. 28 paras. 10A, 10B inserted (with effect in accordance with Sch. 16 paras. 85, 91(3) of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 9](#)

*Member’s alternatively secured pension fund*

**F1154**<sup>11</sup> .....

**Textual Amendments**

**F1154** Sch. 28 paras. 11-13 omitted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 78\(b\)](#)

*Alternatively secured pension year and basis amount for alternatively secured pension year*

**F1154**<sup>12</sup> .....

**Textual Amendments**

**F1154** Sch. 28 paras. 11-13 omitted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 78\(b\)](#)

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*Alternatively secured pension year and basis amount for alternatively secured pension year*

F1154 13 .....

**Textual Amendments**  
F1154 Sch. 28 paras. 11-13 omitted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by virtue of Finance Act 2011 (c. 11), Sch. 16 para. 78(b)

*Relevant annuity*

- 14 (1) A “relevant annuity” is an annuity of a description prescribed by regulations made by the Board of Inland Revenue.
- (2) The annual amount of a relevant annuity is to be ascertained in accordance with regulations made by the Board of Inland Revenue.
- (3) The regulations may in particular provide for the annual amount to be ascertained by reference to—
  - (a) comparative annuity tables published by the [F1155 Financial Conduct Authority or the Prudential Regulation Authority], or
  - (b) material published by any other person.

**Textual Amendments**  
F1155 Words in Sch. 28 para. 14(3)(a) substituted (1.4.2013) by Financial Services Act 2012 (c. 21), s. 122(3), Sch. 18 para. 100 (with Sch. 20); S.I. 2013/423, art. 3, Sch.

*Minimum income requirement*

F1156 14A .....

**Textual Amendments**  
F1156 Sch. 28 paras. 14A-14E omitted (6.4.2015) by virtue of Taxation of Pensions Act 2014 (c. 30), Sch. 1 para. 32(1)(e)(iii)(4)

F1156 14B .....

**Textual Amendments**  
F1156 Sch. 28 paras. 14A-14E omitted (6.4.2015) by virtue of Taxation of Pensions Act 2014 (c. 30), Sch. 1 para. 32(1)(e)(iii)(4)

*The relevant day*

F1156 14C .....

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**Textual Amendments**

F1156 Sch. 28 paras. 14A-14E omitted (6.4.2015) by virtue of [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 32\(1\)\(e\)\(iii\)\(4\)](#)

*Relevant contributions*

F1156 14D .....

**Textual Amendments**

F1156 Sch. 28 paras. 14A-14E omitted (6.4.2015) by virtue of [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 32\(1\)\(e\)\(iii\)\(4\)](#)

*Valid and accepted declarations*

F1156 14E .....

**Textual Amendments**

F1156 Sch. 28 paras. 14A-14E omitted (6.4.2015) by virtue of [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 32\(1\)\(e\)\(iii\)\(4\)](#)

**PART 2**

PENSION DEATH BENEFIT RULES

*Defined benefits and money purchase arrangements*

*Meaning of “dependant”*

15 (1) A person who was married to [F1157, or a civil partner of,] the member at the date of the member’s death is a dependant of the member.

[F1158(1A) If the rules of the pension scheme so provide, a person who was married to [F1159, or a civil partner of,] the member when the member first became entitled to a pension under the pension scheme is a dependant of the member.]

(2) A child of the member is a dependant of the member if the child—  
(a) has not reached the age of 23, or  
(b) has reached that age and, in the opinion of the scheme administrator, was at the date of the member’s death dependant on the member because of physical or mental impairment.

[F1160(2A) A child of the member is a dependant of the member if the child—  
(a) has reached the age of 23, and  
(b) is not within sub-paragraph (2)(b).

(2B) But this paragraph, so far as it has effect for the purpose of determining the meaning of “dependant”—

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- (a) in paragraphs 16 to 17 and 27A, and
  - (b) in paragraph 18 of Schedule 29,
- has effect with the omission of sub-paragraph (2A).]
- (3) A person who was not married to <sup>F1161</sup>, or a civil partner of,] the member at the date of the member’s death and is not a child of the member is a dependant of the member if, in the opinion of the scheme administrator, at the date of the member’s death—
- (a) the person was financially dependant on the member,
  - (b) the person’s financial relationship with the member was one of mutual dependence, or
  - (c) the person was dependant on the member because of physical or mental impairment.

**Textual Amendments**

**F1157** Words in Sch. 28 para. 15(1) inserted (with effect in accordance with reg. 1(7) of the amending S.I.) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **180(a)**

**F1158** Sch. 28 para. 15(1A) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), **Sch. 10 paras. 26**, 64(1)

**F1159** Words in Sch. 28 para. 15(1A) inserted (with effect in accordance with reg. 1(7) of the amending S.I.) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), **regs. 1(1)**, 180(b)

**F1160** Sch. 28 para. 15(2A)(2B) inserted (with effect in accordance with Sch. 5 para. 6(5) of the amending Act) by [Finance Act 2016 \(c. 24\)](#), **Sch. 5 para. 6(2)(4)** (with Sch. 5 para. 6(5))

**F1161** Words in Sch. 28 para. 15(3) inserted (with effect in accordance with reg. 1(7) of the amending S.I.) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **180(c)**

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**Modifications etc. (not altering text)**

**C189** Sch. 28 para. 15(2) modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), **34**

**C190** Sch. 28 para. 15(2)(b) modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), **Sch. 3 Pt. 1**

**C191** Sch. 28 para. 15(3) modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), **Sch. 3 Pt. 1**

*Dependants' scheme pension*

- 16<sup>F1162</sup>(1) .....
- (2) [<sup>F1163</sup>A] pension payable to a dependant is a dependants' scheme pension [<sup>F1164</sup>c for the purposes of this Part] if—
- (a) it is payable by the scheme administrator or by an insurance company selected by the scheme administrator, <sup>F1165</sup> ...
  - <sup>F1165</sup>(b) .....
- <sup>F1166</sup>(2A) The Board of Inland Revenue may by regulations make provision in relation to cases in which a dependants' scheme pension payable to a dependant of a member of a registered pension scheme by an insurance company (“the original dependants' scheme pension”) ceases to be payable and in consequence of that—
- (a) sums or assets (or both) are transferred from the insurance company to another insurance company and are applied towards the provision of either another dependants' scheme pension (a “new dependants' scheme pension”) or a scheme pension, lifetime annuity, short-term annuity, dependants'

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annuity or dependants' short-term annuity by the other insurance company,  
or

(b) sums or assets are transferred to the relevant registered pension scheme.

(2B) The regulations may provide that—

- (a) in a case where a new dependants' scheme pension becomes payable, the new dependants' scheme pension is to be treated, to such extent as is prescribed by the regulations and for such of the purposes of this Part as are so prescribed, as if it were the original dependants' scheme pension, and
- (b) in any other case, the relevant registered pension scheme is to be treated as making an unauthorised payment in respect of the member of an amount equal to the aggregate of the amount of the sums, and the market value of the assets, transferred.

(2C) For the purposes of sub-paragraphs (2A) and (2B) a registered pension scheme is the relevant registered pension scheme if the original dependants' scheme pension was acquired using sums or assets held for the purposes of the pension scheme.]

F1167(3) .....

F1167(4) .....

F1167(5) .....

F1167(6) .....

#### Textual Amendments

**F1162** Sch. 28 para. 16(1) repealed (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), Sch. 10 paras. 27(2), 64(1), **Sch. 11 Pt. 4**

**F1163** Word in Sch. 28 para. 16(2) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), **Sch. 10 paras. 27(3)(a)**, 64(1)

**F1164** Words in Sch. 28 para. 16(2) inserted (21.7.2008) by [Finance Act 2008 \(c. 9\)](#), **Sch. 28 para. 5**

**F1165** Sch. 28 para. 16(2)(b) and word repealed (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), Sch. 10 paras. 27(3)(b), 64(1), **Sch. 11 Pt. 4**

**F1166** Sch. 28 para. 16(2A)-(2C) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), **Sch. 10 paras. 27(4)**, 64(1)

**F1167** Sch. 28 para. 16(3)-(6) repealed (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), Sch. 10 paras. 27(5), 64(1), **Sch. 11 Pt. 4**

[<sup>F1168</sup>16(A) Paragraphs 16B and 16C apply where—

- (a) the member dies after 5th April 2006,
- (b) he has reached the age of 75 before his death, and
- (c) at the time of his death he is actually or prospectively entitled to one or more scheme pensions under the pension scheme.

[ Sub-paragraph (1) is subject to paragraphs 16AA and 16AB.]

<sup>F1169</sup>(1A)

(2) References in this paragraph and paragraph 16B to a scheme pension include a pension payable before 6th April 2006 which would be a scheme pension if payable after that date.

[ This paragraph shall not apply to a scheme pension where the member was actually

<sup>F1170</sup>(3) entitled to that pension on 5th April 2006.]

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#### Textual Amendments

**F1168** Sch. 28 paras. 16A-16C inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 28, 64\(1\)](#)

**F1169** Sch. 28 para. 16A(1A) inserted (with effect in accordance with s. 21(6)(7)(8)(a) of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [s. 21\(2\)\(6\)](#)

**F1170** Sch. 28 para. 16A(3) added (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), [arts. 1\(1\), 24](#)

[ Paragraphs 16B and 16C do not apply if—

- <sup>F1171</sup>16AA (a) each benefit crystallisation event that has occurred in relation to the member by reference to arrangements relating to the member under the scheme is benefit crystallisation event 5B (having unused funds under a money purchase arrangement at age 75), or
- (b) paragraph 12 of Schedule 36 (enhanced protection by reference to pre-6 April 2006 rights) applies in the case of the member immediately before the member's death.

#### Textual Amendments

**F1168** Sch. 28 paras. 16A-16C inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 28, 64\(1\)](#)

**F1171** [Sch. 28 paras. 16AA-16AE](#) inserted (with effect in accordance with s. 21(6)(7)(8)(a) of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [s. 21\(3\)\(6\)](#)

16AB (1) Paragraph 16B does not apply if, at all times in the post-death year (as defined in that paragraph), the payable annual rate is less than the limit.

(2) Paragraph 16C does not apply in relation to a period of 12 months within paragraph (a) or (b) of paragraph 16C(1) if, at all times in that period of 12 months, the payable annual rate is less than the limit.

(3) “The payable annual rate”, at any time, is arrived at as follows—

- (a) identify each dependants' scheme pension payable in respect of the member under the scheme to which a dependant of the member is actually entitled at that time, and
- (b) identify the annual rate at which each pension identified at paragraph (a) is payable at that time, and
- (c) if only one pension is identified at paragraph (a), the payable annual rate is the annual rate identified at paragraph (b), and
- (d) if two or more pensions are identified at paragraph (a), the payable annual rate is the total of the annual rates identified at paragraph (b).

(4) “The limit”, at any time, is—

- (a) the general limit at that time (see paragraph 16AC), or,
- (b) if higher, the personal limit at that time (see paragraph 16AD).

#### Textual Amendments

**F1168** Sch. 28 paras. 16A-16C inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 28, 64\(1\)](#)

**F1171** [Sch. 28 paras. 16AA-16AE](#) inserted (with effect in accordance with s. 21(6)(7)(8)(a) of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [s. 21\(3\)\(6\)](#)

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- 16AC (1) This paragraph applies for the purposes of paragraph 16AB(4).
- (2) “The general limit” at a time in the tax year 2016-17 is £25,000.
- (3) “The general limit” at a time in a later tax year (“year T”)—
- (a) is given by—
- $$G + (G \times U \%)$$
- where G is the general limit at times in the tax year (“year P”) that precedes year T, or
- (b) if the amount given by paragraph (a) is not a multiple of £100, is that amount rounded up to the nearest amount that is such a multiple.
- (4) See paragraph 16AE for the meaning of U%.

#### Textual Amendments

**F1168** Sch. 28 paras. 16A-16C inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 28, 64\(1\)](#)

**F1171** [Sch. 28 paras. 16AA-16AE](#) inserted (with effect in accordance with s. 21(6)(7)(8)(a) of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [s. 21\(3\)\(6\)](#)

- 16AD (1) This paragraph applies for the purposes of paragraph 16AB(4).
- (2) “The personal limit” at a time in the tax year in which the member dies is arrived at as follows—
- (a) identify each scheme pension under the scheme to which the member is actually or prospectively entitled immediately before the member's death, and
- (b) as regards each pension identified at paragraph (a)—
- (i) if it is one to which the member is actually entitled immediately before the member's death, identify the annual rate at which it is payable immediately before the member's death, or
- (ii) if it is one to which the member is prospectively entitled immediately before the member's death, identify the annual rate at which it would have been payable immediately before the member's death had the member been actually entitled to it immediately before the member's death, and
- (c) if only one pension is identified at paragraph (a), the personal limit is the annual rate identified at paragraph (b), and
- (d) if two or more pensions are identified at paragraph (a), the personal limit is the total of the annual rates identified at paragraph (b).
- (3) “The personal limit” at a time in a tax year (“year S”) later than the tax year in which the member dies—
- (a) is given by—
- $$L + (L \times U \%)$$
- where L is the personal limit at times in the tax year (“year P”) that precedes year S, or
- (b) if the amount given by paragraph (a) is not a multiple of £100, is that amount rounded up to the nearest amount that is such a multiple.

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- (4) See paragraph 16AE for the meaning of U%.
- (5) If the scheme is a public service pension scheme, ignore any abatement when identifying at sub-paragraph (2)(b) the annual rate of any scheme pension under the scheme.

#### Textual Amendments

**F1168** Sch. 28 paras. 16A-16C inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 28, 64\(1\)](#)

**F1171** [Sch. 28 paras. 16AA-16AE](#) inserted (with effect in accordance with s. 21(6)(7)(8)(a) of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [s. 21\(3\)\(6\)](#)

- 16AE (1) In paragraphs 16AC(3) and 16AD(3), U% means the highest of—
- (a) 5%,
  - (b) CPI% (see sub-paragraph (2)), and
  - (c) RPI% (see sub-paragraph (3)).
- (2) If the consumer prices index for September in year P is higher than the consumer prices index for September in the tax year preceding year P, CPI% is the percentage increase in the index (but is otherwise 0%).
- (3) If the retail prices index for September in year P is higher than the retail prices index for September in the tax year preceding year P, RPI% is the percentage increase in the index (but is otherwise 0%).
- (4) In this paragraph “year P” has the same meaning as in paragraph 16AC or (as the case may be) paragraph 16AD.]

#### Textual Amendments

**F1168** Sch. 28 paras. 16A-16C inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 28, 64\(1\)](#)

**F1171** [Sch. 28 paras. 16AA-16AE](#) inserted (with effect in accordance with s. 21(6)(7)(8)(a) of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [s. 21\(3\)\(6\)](#)

- 16B (1) Where a pension is payable under the pension scheme to a dependant of the member in the period of 12 months beginning with the date of the member's death (“the post-death year”), so much of the pension as exceeds the initial member pension limit is not a dependants' scheme pension.
- (2) But if—
- (a) more than one pension is so payable to one of the dependants of the member in the post-death year, or
  - (b) pensions are so payable to more than one dependant of the member in the post-death year,
- (or both), so much of any of the pensions as exceeds the appropriate portion of the initial member pension limit is not a dependants' scheme pension.
- (3) The “initial member pension limit” is (subject to sub-paragraph (4)) the sum of—
- (a) the aggregate of the amounts of the scheme pensions to which the member is actually entitled under the pension scheme immediately before his death payable to the member in the period of 12 months ending with the date of his death (“the pre-death year”),



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- (b) the aggregate of the amounts of the scheme pensions to which the member is prospectively entitled under the pension scheme at that time which would have been so payable if he had been actually entitled to the pensions throughout the pre-death year, and
  - (c) 5% of the aggregate of the [<sup>F1172</sup>uprated amounts (see sub-paragraph (6))] of the lump sums on which there is no liability to income tax to which the member has become entitled in connection with scheme pensions under the pension scheme before his death.
- (4) But if the member became (actually) entitled to a scheme pension under the pension scheme during the pre-death year, sub-paragraph (3)(a) has effect as if the amount of that scheme pension which was payable to the member under the pension scheme in the pre-death year were the amount which would have been payable to him in the period of 12 months beginning with the date on which he became entitled to it had he not died.
- (5) The “appropriate portion” of the initial member pension limit, in relation to any pension payable under the pension scheme to a dependant of the member in the post-death year, is—

PAP

where—

P is the amount of that pension payable in the post-death year, and

AP is the aggregate of the amounts of each of the pensions payable under the pension scheme to dependants of the member in the post-death year.

[ The “uprated amount” of a lump sum is the amount of the lump sum increased by <sup>F1173</sup>(6) the higher of C% and R%, where—

- (a) if the consumer prices index for the month in which the member dies is higher than it was for the month in which the member became entitled to the lump sum, C% is the percentage increase in the index (but is otherwise 0%), and
- (b) if the retail prices index for the month in which the member dies is higher than it was for the month in which the member became entitled to the lump sum, R% is the percentage increase in the index (but is otherwise 0%).]

#### Textual Amendments

**F1168** Sch. 28 paras. 16A-16C inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 28, 64\(1\)](#)

**F1172** Words in [Sch. 28 para. 16B\(3\)\(c\)](#) substituted (with effect in accordance with s. 21(6)(7)(8)(a) of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [s. 21\(4\)\(a\)\(6\)](#)

**F1173** [Sch. 28 para. 16B\(6\)](#) inserted (with effect in accordance with s. 21(6)(7)(8)(a) of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [s. 21\(4\)\(b\)\(6\)](#)

- 16C (1) Where a pension is payable under the pension scheme to a dependant of the member, otherwise than in excepted circumstances, in—
- (a) the period of 12 months beginning with the end of the post-death year, or
  - (b) any succeeding period of 12 months,
- (“the 12 months in question”), so much of the pension as exceeds the current member pension limit is not a dependants' scheme pension.

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- (2) But if—
- (a) more than one pension is so payable to one of the dependants in the 12 months in question, or
  - (b) pensions are so payable to more than one dependant of the member in the 12 months in question,
- (or both), so much of any of the pensions as exceeds the appropriate portion of the current member pension limit is not a dependants' scheme pension.
- (3) “Excepted circumstances” means—
- (a) that at the beginning of the <sup>F1174</sup>... 12 months in question there are at least 50 pensioner members of the pension scheme, and
  - (b) that the condition in [<sup>F1175</sup>sub-paragraph] (4) is met.
- <sup>F1176</sup>(4) The condition is that if the annual rate of a pension payable under the pension scheme to a dependant of the member is increased at any time in the period of 12 months in question—
- (a) the dependant is at that time one of a group of at least 20 pensioner members of the pension scheme, and
  - (b) all the pensions being paid under the pension scheme to pensioner members of that group are at that time increased at the same rate.]
- (6) The “current member pension limit”, in relation to the 12 [<sup>F1177</sup>months] in question, is the initial member pension limit increased by [<sup>F1178</sup>the permitted margin.]
- (7) The “permitted margin” is the amount by which the initial member pension limit would be greater if it had been increased by whichever of calculation A and calculation B gives the greater amount.
- (8) Calculation A involves increasing the initial member pension limit by the relevant annual percentage rate for the whole of the period—
- (a) beginning with the first month beginning after the [<sup>F1179</sup>member's death] (“the opening month”), and
  - (b) ending with the first month [<sup>F1180</sup>ending after the start] of the 12 months in question (“the closing month”).
- (9) The relevant annual percentage rate is—
- (a) if the relevant valuation factor in relation to the pension scheme is a number greater than 20, the annual rate agreed by the Inland Revenue and the scheme administrator, and
  - (b) otherwise, 5% per annum.
- (10) Calculation B involves increasing the initial member pension limit by the relevant indexation percentage.
- (11) If the retail prices index for the closing month is higher than it was for the [<sup>F1181</sup>month in which the member died], the relevant indexation percentage is the percentage increase in the retail prices index.
- (12) If it is not, the relevant indexation percentage is 0%.
- <sup>F1182</sup>(13) .....
- <sup>F1182</sup>(14) .....

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- (15) The “appropriate portion” of the current member pension limit, in relation to any pension payable under the pension scheme to a dependant of the member in the 12 months in question, is—

PAP

where—

P is the amount of that pension payable in the 12 months in question, and

AP is the aggregate of the amounts of each of the pensions payable under the pension scheme to one or more dependants of the member in the 12 months in question.]

#### Textual Amendments

- F1168** Sch. 28 paras. 16A-16C inserted (6.4.2006) by [Finance Act 2005 \(c. 7\), Sch. 10 paras. 28, 64\(1\)](#)
- F1174** Words in Sch. 28 para. 16C(3)(a) omitted (with effect in accordance with s. 21(6)(8)(b) of the amending Act) by virtue of [Finance Act 2016 \(c. 24\), s. 21\(5\)\(a\)\(6\)](#)
- F1175** Word in Sch. 28 para. 16C(3)(b) substituted (with effect in accordance with s. 21(6)(8)(b) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 21\(5\)\(b\)\(6\)](#)
- F1176** Sch. 28 para. 16C(4) substituted for Sch. 28 para. 16C(4)(5) (with effect in accordance with s. 21(6)(8)(b) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 21\(5\)\(c\)\(6\)](#)
- F1177** Word in Sch. 28 para. 16C(6) substituted (with effect in accordance with s. 21(6)(8)(b) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 21\(5\)\(d\)\(i\)\(6\)](#)
- F1178** Words in Sch. 28 para. 16C(6) substituted (with effect in accordance with s. 21(6)(8)(b) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 21\(5\)\(d\)\(ii\)\(6\)](#)
- F1179** Words in Sch. 28 para. 16C(8)(a) substituted (with effect in accordance with s. 21(6)(8)(b) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 21\(5\)\(e\)\(6\)](#)
- F1180** Words in Sch. 28 para. 16C(8)(b) inserted (with effect in accordance with s. 21(6)(8)(b) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 21\(5\)\(f\)\(6\)](#)
- F1181** Words in Sch. 28 para. 16C(11) substituted (with effect in accordance with s. 21(6)(8)(b) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 21\(5\)\(g\)\(6\)](#)
- F1182** Sch. 28 para. 16C(13)(14) omitted (with effect in accordance with s. 21(6)(8)(b) of the amending Act) by virtue of [Finance Act 2016 \(c. 24\), s. 21\(5\)\(h\)\(6\)](#)

#### Money purchase arrangements

##### Dependants' annuity

- 17 (1) [<sup>F1183</sup>For the purposes of this Part an] annuity payable to a dependant is a dependants' annuity if—
- [<sup>F1184</sup>(za) either—
- (i) it is purchased together with a lifetime annuity payable to the member and the member becomes entitled to that lifetime annuity before 6 April 2015, or
  - (ii) it is purchased after the member's death and the dependant becomes entitled to it before 6 April 2015,]
- (a) it is payable by an insurance company,
  - (b) the member or dependant had an opportunity to select the insurance company,
- [<sup>F1185</sup>(c) its amount either cannot decrease or falls to be determined in any manner prescribed by regulations made by the Board of Inland Revenue,]

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- (d) where the dependant is not the member's child, it is payable until the dependant's death or until the earlier of the dependant's marrying<sup>[F1186]</sup>, entering into a civil partnership] or dying, and
  - (e) where the dependant is the member's child, it is payable until the earlier of the dependant's ceasing to be a dependant or dying, or until the earliest of the dependant's marrying<sup>[F1187]</sup>, entering into a civil partnership], ceasing to be a dependant or dying.
- <sup>[F1188]</sup>(1ZA) For the purposes of this Part, but subject to any provision made under sub-paragraph (4)(za), an annuity payable to a dependant is also a dependants' annuity if—
- (a) either—
    - (i) it is purchased together with a lifetime annuity payable to the member and the member becomes entitled to that lifetime annuity on or after 6 April 2015, or
    - (ii) it is purchased after the member's death and the dependant becomes entitled to it on or after 6 April 2015,
  - (b) it is payable by an insurance company,
  - (c) where the dependant is not the member's child, it is payable until the dependant's death or until the earliest of the dependant's marrying, entering into a civil partnership or dying, and
  - (d) where the dependant is the member's child, it is payable until the earlier of the dependant's ceasing to be a dependant or dying, or until the earliest of the dependant's marrying, entering into a civil partnership, ceasing to be a dependant or dying.]
- <sup>[F1189]</sup>(1A) For the purposes of <sup>[F1190]</sup>sub-paragraphs (1)(za) and (1ZA)(a) a dependants' annuity is purchased together with a lifetime annuity if the dependant's annuity is related to the lifetime annuity.]
- <sup>[F1191]</sup>(2) An annuity does not fail to satisfy sub-paragraph (1)(c) by reason of the operation of a pension sharing order or provision.
- (3) The Board of Inland Revenue may by regulations make provision in relation to cases in which a dependants' annuity payable to a person (“the original dependants' annuity”) ceases to be payable and in consequence of that—
- (a) sums or assets (or both) are transferred from the insurance company to another insurance company and are applied towards the provision of either another dependants' annuity (a “new dependants' annuity”) or a scheme pension, lifetime annuity, short-term annuity, dependants' scheme pension or dependants' short-term annuity by the other insurance company, or
  - (b) sums or assets are transferred to the relevant registered pension scheme.
- (4) The regulations may provide that—
- <sup>[F1192]</sup>(za) in a case where—
- (i) a new annuity becomes payable,
  - (ii) the dependant becomes entitled to it on or after 6 April 2015,
  - (iii) it would be a dependants' annuity if any provision made under this paragraph were ignored,
  - (iv) the terms of the contract for it are such that there will or could be decreases in its amount other than allowed decreases (see sub-paragraph (6)), and

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- (v) any other conditions prescribed by the regulations are met,  
the new annuity is not a dependants' annuity for the purposes of this Part.]
- (a) in a case where a new dependants' annuity becomes payable, the new dependants' annuity is to be treated, to such extent as is prescribed by the regulations and for such of the purposes of this Part as are so prescribed, as if it were the original dependants' annuity, and
- (b) in [<sup>F1193</sup>a case other than one where a new dependants' annuity becomes payable], the relevant registered pension scheme is to be treated as making an unauthorised payment in respect of the member of an amount equal to the aggregate of the amount of the sums, and the market value of the assets, transferred.

<sup>F1194</sup>(4A) .....

- (5) For the purposes of sub-paragraphs (3) and (4) a registered pension scheme is the relevant registered pension scheme if the original dependants' annuity was acquired using sums or assets held for the purposes of the pension scheme.]

- [<sup>F1195</sup>(6) In sub-paragraph (4)(za)(iv) “allowed decreases” means decreases from time to time allowed by regulations under sub-paragraph (1)(c); and any such regulations are to be treated as having effect for this purpose.]

#### Textual Amendments

- F1183** Words in Sch. 28 para. 17(1) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 15\(2\), 64\(1\)](#)
- F1184** Sch. 28 para. 17(1)(za) substituted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 47](#)
- F1185** Sch. 28 para. 17(1)(c) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 15\(3\), 64\(1\)](#)
- F1186** Words in Sch. 28 para. 17(1)(d) inserted (22.2.2007) by [The Tax and Civil Partnership Regulations 2007 \(S.I. 2007/493\)](#), [regs. 1, 2\(3\)](#)
- F1187** Words in Sch. 28 para. 17(1)(e) inserted (22.2.2007) by [The Tax and Civil Partnership Regulations 2007 \(S.I. 2007/493\)](#), [regs. 1, 2\(3\)](#)
- F1188** Sch. 28 para. 17(1ZA) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 39](#)
- F1189** Sch. 28 para. 17(1A) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 29\(3\), 64\(1\)](#)
- F1190** Words in Sch. 28 para. 17(1A) substituted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 48](#)
- F1191** Sch. 28 para. 17(2)-(5) substituted for Sch. 28 para. 17(2) (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 15\(4\), 64\(1\)](#)
- F1192** Sch. 28 para. 17(4)(za) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 49\(1\)\(a\)](#)
- F1193** Words in Sch. 28 para. 17(4)(b) substituted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 49\(1\)\(b\)](#)
- F1194** Sch. 28 para. 17(4A) omitted (21.7.2009) by virtue of [Finance Act 2009 \(c. 10\)](#), [s. 75\(2\)\(d\)](#)
- F1195** Sch. 28 para. 17(6) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 49\(2\)](#)

[<sup>F1196</sup>*Dependants' drawdown pension*]

#### Textual Amendments

- F1196** Sch. 28 para. 18 cross-heading substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 13\(2\)](#)

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- 18 [F1197“Dependants' drawdown pension”] means—
- (a) a dependants' short-term annuity, or
  - (b) dependants' income withdrawal.

**Textual Amendments**

**F1197** Words in Sch. 28 para. 18 substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 13(1)**

F1198 19 .....

**Textual Amendments**

**F1198** Sch. 28 para. 19 omitted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 78(c)**

*Dependants' short-term annuity*

- 20 (1) [F1199For the purposes of this Part an] annuity payable to a dependant is a dependants' short-term annuity if—
- (a) it is purchased by the application of sums or assets representing the whole or any part of the [F1200dependant's drawdown pension fund] in respect of an arrangement,
  - (b) it is payable by an insurance company,
  - (c) the dependant had an opportunity to select the insurance company,
  - [F1201(ca) the dependant becomes entitled to it before 6 April 2015.]
  - (d) it is payable for a term which does not exceed five years and ends before the dependant F1202 ... dies, and
  - [F1203(e) its amount either cannot decrease or falls to be determined in any manner prescribed by regulations made by the Board of Inland Revenue.]
- [F1204(1ZA) For the purposes of this Part, but subject to any provision made under sub-paragraph (1C)(za), an annuity payable to a dependant is also a dependants' short-term annuity if—
- (a) it is purchased by the application of sums or assets representing the whole or any part of the dependant's drawdown pension fund, or of the dependant's flexi-access drawdown fund, in respect of an arrangement,
  - (b) it is payable by an insurance company,
  - (c) the dependant becomes entitled to it on or after 6 April 2015, and
  - (d) it is payable for a term which does not exceed five years and ends before the dependant dies.]
- [F1205(1A) An annuity does not fail to satisfy sub-paragraph (1)(e) by reason of the operation of a pension sharing order or provision.
- (1B) The Board of Inland Revenue may by regulations make provision in relation to cases in which a dependants' short-term annuity payable to a person (“the original dependants' short-term annuity”) ceases to be payable and in consequence of that—
- (a) sums or assets (or both) are transferred from the insurance company to another insurance company and are applied towards the provision of either another dependants' short-term annuity (a “new dependants' short-

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term annuity”) or a scheme pension, lifetime annuity, short-term annuity, dependants' scheme pension or dependants' annuity by the other insurance company, or

(b) sums or assets are transferred to the relevant registered pension scheme.

(1C) The regulations may provide that—

- [ in a case where—
- <sup>F1206</sup>(za) (i) a new annuity becomes payable,  
(ii) the dependant becomes entitled to it on or after 6 April 2015,  
(iii) it would be a dependants' short-term annuity if any provision made under this paragraph were ignored,  
(iv) the terms of the contract for it are such that there will or could be decreases in its amount other than allowed decreases (see sub-paragraph (1E)), and  
(v) any other conditions prescribed by the regulations are met,  
the new annuity is not a dependants' short-term annuity for the purposes of this Part,]
- (a) in a case where a new dependants' short-term annuity becomes payable, the new dependants' short-term annuity is to be treated, to such extent as is prescribed by the regulations and for such of the purposes of this Part as are so prescribed, as if it were the original dependants' short-term annuity, and
- (b) in [<sup>F1207</sup>a case other than one where a new dependants' short-term annuity becomes payable], the relevant registered pension scheme is to be treated as making an unauthorised payment in respect of the member of an amount equal to the aggregate of the amount of the sums, and the market value of the assets, transferred.

(1D) For the purposes of sub-paragraphs (1B) and (1C) a registered pension scheme is the relevant registered pension scheme if the original dependants' short-term annuity was acquired using sums or assets held for the purposes of the pension scheme.]

[<sup>F1208</sup>(1E) In sub-paragraph (1C)(za)(iv) “allowed decreases” means decreases from time to time allowed by regulations under sub-paragraph (1)(e); and any such regulations are to be treated as having effect for this purpose.]

<sup>F1209</sup>(2) . . . . .

#### Textual Amendments

- F1199** Words in Sch. 28 para. 20(1) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\), Sch. 10 paras. 16\(2\), 64\(1\)](#)
- F1200** Words in Sch. 28 para. 20(1)(a) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\), Sch. 16 para. 14\(a\)](#)
- F1201** Sch. 28 para. 20(1)(ca) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\), Sch. 1 para. 50](#)
- F1202** Words in Sch. 28 para. 20(1)(d) omitted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\), Sch. 16 para. 14\(b\)](#)
- F1203** Sch. 28 para. 20(1)(e) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\), Sch. 10 paras. 16\(3\), 64\(1\)](#)
- F1204** Sch. 28 para. 20(1ZA) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\), Sch. 1 para. 40](#)
- F1205** Sch. 28 para. 20(1A)-(1D) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\), Sch. 10 paras. 16\(4\), 64\(1\)](#)
- F1206** Sch. 28 para. 20(1C)(za) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\), Sch. 1 para. 51\(1\)\(a\)](#)

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**F1207** Words in Sch. 28 para. 20(1C)(b) substituted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 51\(1\)\(b\)](#)

**F1208** Sch. 28 para. 20(1E) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 51\(2\)](#)

**F1209** Sch. 28 para. 20(2) repealed (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 16\(5\), 64\(1\)](#), [Sch. 11 Pt. 4](#)

**Modifications etc. (not altering text)**

**C192** Sch. 28 para. 20 modified (with effect in accordance with [Sch. 16 para. 85](#) of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 95](#)

*Dependants' income withdrawal*

[<sup>F1210</sup>21 Dependants' income withdrawal" means an amount (other than an annuity) which the dependant is entitled to be paid from the dependant's drawdown pension fund in respect of an arrangement [<sup>F1211</sup>or from the dependant's flexi-access drawdown fund in respect of an arrangement].]

**Textual Amendments**

**F1210** Sch. 28 para. 21 substituted (with effect in accordance with [Sch. 16 para. 85](#) of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 15](#)

**F1211** Words in Sch. 28 para. 21 inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 20](#)

[<sup>F1212</sup>*Dependant's drawdown pension fund*]

**Textual Amendments**

**F1212** Sch. 28 para. 22 cross-heading substituted (with effect in accordance with [Sch. 16 para. 85](#) of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 16\(5\)](#)

22 (1) For the purposes of this Part a [<sup>F1213</sup>dependant's drawdown pension fund] in respect of an arrangement consists of such of the sums and assets held for the purposes of the arrangement—

- [<sup>F1214</sup>(a) as are dependant-designated funds, and
- (b) have not been applied towards the provision of a dependants' scheme pension.]

[<sup>F1215</sup>(2) For the purposes of this Part sums or assets held for the purposes of an arrangement are dependant-designated funds if <sup>F1216</sup>...—

- (a) [<sup>F1217</sup>they have, at any time before 6 April 2015, been designated] under the arrangement as available for the payment of [<sup>F1218</sup>dependants' drawdown pension]<sup>F1219</sup> ...,

[<sup>F1220</sup>(aa) they have, at any time on or after 6 April 2015, been designated under the arrangement as available for the payment of dependants' drawdown pension <sup>F1219</sup> ..., and—

- (i) sums or assets held for the purposes of the arrangement have, at any time before 6 April 2015, been designated under the arrangement as so available, and
- (ii) section 167(2A) did not apply to the arrangement immediately before 6 April 2015,] or



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- (b) [<sup>F1221</sup>they] arise, or (directly or indirectly) derive, from [<sup>F1222</sup>dependant-designated funds under paragraph (a) or (aa) or from sums or assets] which so arise or derive.
- (3) If any sums or assets representing a [<sup>F1223</sup>person's][<sup>F1224</sup>dependant's drawdown pension fund] in respect of an arrangement under the pension scheme would (apart from this sub-paragraph)—
- (a) come to be taken to represent another [<sup>F1224</sup>dependant's drawdown pension fund] of his under the pension scheme, or [<sup>F1225</sup>a drawdown pension fund] of his under the pension scheme, or
- (b) are applied towards the provision of a scheme pension or a lifetime annuity, they are to be treated as not doing so.]

#### Textual Amendments

**F1213** Words in Sch. 28 para. 22(1) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 16\(2\)](#)

**F1214** Sch. 28 para. 22(1)(a)(b) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 21\(2\)](#), 64(1)

**F1215** Sch. 28 para. 22(2)(3) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 21\(3\)](#), 64(1)

**F1216** Word in Sch. 28 para. 22(2) omitted (17.12.2014) by virtue of [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 21\(a\)](#)

**F1217** Words in Sch. 28 para. 22(2)(a) substituted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 21\(b\)](#)

**F1218** Words in Sch. 28 para. 22(2)(a) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 16\(3\)](#)

**F1219** Words in Sch. 28 para. 22(2)(a)(aa) omitted (16.9.2016) by virtue of [Finance Act 2016 \(c. 24\)](#), [Sch. 5 para. 6\(3\)\(a\)\(4\)](#)

**F1220** Sch. 28 para. 22(2)(aa) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 21\(c\)](#)

**F1221** Word in Sch. 28 para. 22(2)(b) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 21\(d\)\(i\)](#)

**F1222** Words in Sch. 28 para. 22(2)(b) substituted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 21\(d\)\(ii\)](#)

**F1223** Word in Sch. 28 para. 22(3) inserted (16.9.2016) by [Finance Act 2016 \(c. 24\)](#), [Sch. 5 para. 6\(3\)\(b\)\(4\)](#)

**F1224** Words in Sch. 28 para. 22(3) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 16\(4\)\(a\)](#)

**F1225** Words in Sch. 28 para. 22(3)(a) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 16\(4\)\(b\)](#)

#### Modifications etc. (not altering text)

**C193** Sch. 28 para. 22 modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), [30\(1\)-\(3\)](#)

**C194** Sch. 28 para. 22(2) modified (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 96](#)

<sup>F1226</sup>*Dependant's flexi-access drawdown fund*

#### Textual Amendments

**F1226** Sch. 28 paras. 22A-22D and cross-headings inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 4(2) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 4\(1\)](#)

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- 22A (1) For the purposes of this Part a dependant's flexi-access drawdown fund in respect of an arrangement consists of such of the sums or assets held for the purposes of the arrangement as are newly-designated dependant funds.
- (2) For the purposes of this Part sums or assets held for the purposes of an arrangement are newly-designated dependant funds if—
- (a) they—
    - (i) have, at any time on or after 6 April 2015, been designated under the arrangement as available for the payment of dependants' drawdown pension, and
    - (ii) are not dependant-designated funds, or
  - (b) they were dependant-designated funds immediately before 6 April 2015 and section 167(2A) applied to the arrangement at that time, or
  - (c) they have become newly-designated dependant funds by the operation of paragraph 22B, 22C or 22D, or
  - (d) they arise, or (directly or indirectly) derive, from newly-designated dependant funds under paragraph (a), (b) or (c) or from sums or assets which so arise or derive.
- (3) Any sums or assets that become newly-designated dependant funds under sub-paragraph (2)(b) cease to be dependant-designated funds as from the start of 6 April 2015.

#### Textual Amendments

**F1226**Sch. 28 paras. 22A-22D and cross-headings inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 4(2) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 4\(1\)](#)

#### *Conversion of certain dependants' drawdown funds into flexi-access drawdown funds*

- 22B (1) Sub-paragraph (2) applies if—
- (a) a dependant's drawdown pension fund in respect of an arrangement came into being before 6 April 2015,
  - (b) section 167(2A) did not apply to the arrangement immediately before 6 April 2015, and
  - (c) at a time on or after 6 April 2015, a payment—
    - (i) of dependants' income withdrawal from the fund, or
    - (ii) of a dependants' short-term annuity purchased using sums or assets out of the fund,
 is made that (apart from sub-paragraph (2)) would breach the cap.
- (2) The sums and assets that make up the fund immediately before the payment is made become newly-designated dependant funds immediately before the payment is made (so that the payment is made out of the dependant's flexi-access drawdown fund in respect of the arrangement and therefore is not part of the total capped by pension death benefit rule 4).
- (3) For the purposes of sub-paragraph (1)(c), a payment of dependants' drawdown pension in respect of an arrangement is one that would breach the cap if, when its amount is added to the amounts of any dependants' drawdown pension in respect of the arrangement—
- (a) paid—

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- (i) before it is made, but
  - (ii) in the same drawdown pension year in respect of the arrangement, or
- (b) paid at the time it is made,  
the total is greater than the cap set by pension death benefit rule 4 for that drawdown pension year.

#### Textual Amendments

**F1226**Sch. 28 paras. 22A-22D and cross-headings inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 4(2) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 4\(1\)](#)

- 22C (1) Sub-paragraph (2) applies if—
- (a) a dependant's drawdown pension fund in respect of an arrangement came into being before 6 April 2015,
  - (b) section 167(2A) did not apply to the arrangement immediately before 6 April 2015, and
  - (c) the dependant notifies the [<sup>F1227</sup>scheme manager] that the dependant wishes the fund to become the dependant's flexi-access drawdown fund in respect of the arrangement.
- (2) At—
- (a) the time the [<sup>F1227</sup>scheme manager] accepts the notification, or
  - (b) the start of 6 April 2015 if that is later,
- the sums and assets that then make up that fund become newly-designated dependant funds, if they have not previously done so by the operation of paragraph 22B.

#### Textual Amendments

**F1226**Sch. 28 paras. 22A-22D and cross-headings inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 4(2) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 4\(1\)](#)

**F1227**Words in Sch. 28 paras. 22C, 22D substituted by S.I. 2006/207, reg. 14(3)(ea) (as inserted (6.4.2015) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 33\(3\)\(c\)\(4\)](#) (with Sch. 1 para. 33(5))

- 22D (1) Sub-paragraphs (2) and (3) apply if—
- (a) there is a recognised transfer from one registered pension scheme (“the old scheme”) to another registered pension scheme (“the new scheme”) of dependant-designated funds held for the purposes of an arrangement under the old scheme, and
  - (b) the sums or assets transferred are, under the arrangement under the new scheme for whose purposes they are first held after the transfer, designated as available for the payment of drawdown pension.
- (2) If the dependant, when or before the designation is made, notifies the [<sup>F1227</sup>scheme manager] of the new scheme that the dependant wishes the sums or assets to be newly-designated dependant funds, the sums or assets become newly-designated dependant funds and do so—
- (a) when the designation is made, or
  - (b) if later, immediately after the transfer,
- except that, if both the designation and transfer are made before 6 April 2015, the sums or assets become newly-designated dependant funds at the start of 6 April 2015.

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- (3) If sub-paragraph (2) does not provide for the sums or assets to become newly-designated dependant funds, the sums or assets become dependant-designated funds and do so—
- (a) when the designation is made, or
  - (b) if later, immediately after the transfer.]

**Textual Amendments**

**F1226**Sch. 28 paras. 22A-22D and cross-headings inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 4(2) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 4\(1\)](#)

**F1227**Words in Sch. 28 paras. 22C, 22D substituted by S.I. 2006/207, reg. 14(3)(ea) (as inserted (6.4.2015) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 33\(3\)\(c\)\(4\)](#) (with [Sch. 1 para. 33\(5\)](#))

<sup>F1228</sup>*Drawdown pension year and basis amount for drawdown pension year]*

**Textual Amendments**

**F1228**Sch. 28 para. 23 cross-heading substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 17\(4\)](#)

- 23 (1) [<sup>F1229</sup>“Drawdown pension year”] means—
- (a) the period of 12 months beginning with the day on which the dependant first becomes entitled to [<sup>F1230</sup>dependants' drawdown pension] in respect of the arrangement, and
  - (b) each succeeding period of 12 months.
- [<sup>F1231</sup>This is subject to paragraph 24B.]

[<sup>F1232</sup>(2) The drawdown pension year in which the dependant dies is the last drawdown pension year and ends immediately before the dependant's death.]

**Textual Amendments**

**F1229**Words in Sch. 28 para. 23(1) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 17\(2\)\(a\)](#)

**F1230**Words in Sch. 28 para. 23(1)(a) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 17\(2\)\(b\)](#)

**F1231**Words in Sch. 28 para. 23(1) inserted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 17\(2\)\(c\)](#)

**F1232**Sch. 28 para. 23(2) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 17\(3\)](#)

**Modifications etc. (not altering text)**

**C195** Sch. 28 para. 23(1) modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), [30\(1\)\(2\)\(4\)](#)

**C196** Sch. 28 para. 23(1)(a) modified (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 100\(2\)](#)

**C197** Sch. 28 para. 23(1)(a) modified (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 97\(2\)](#)

**C198** Sch. 28 para. 23(2) modified (27.7.2010) by [Finance \(No. 2\) Act 2010 \(c. 31\)](#), [Sch. 3 para. 2\(1\)\(2\)\(d\)](#) (ii) (with [Sch. 2 para. 2\(1\)](#))

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<sup>F1233</sup>(A1) This paragraph applies in relation to drawdown pension years beginning on or before the dependant's 75th birthday.

(1) Subject as follows, the period of three drawdown pension years beginning with the first drawdown pension year, and each succeeding period of three drawdown pension years, is a “reference period”.

(1ZA) But the reference period in which the dependant reaches the age of 75 ends with the drawdown pension year in which the dependant reaches that age.]

<sup>F1234</sup>(1A) Sub-paragraph (1B) applies if, at any time during a reference period (“the current reference period”), the dependant notifies the scheme administrator that the dependant wishes a new reference period to begin on the next day that is an anniversary of the reference date in relation to the current reference period.

(1B) The scheme administrator may determine—

- (a) that the current reference period is to end immediately before that day (so that sub-paragraph (1) no longer applies), and
- (b) that (subject to <sup>F1235</sup>sub-paragraph (1ZA) and] any further operation of this sub-paragraph) the period of <sup>F1236</sup>three drawdown pension years] beginning with that day, and each succeeding period of <sup>F1236</sup>three drawdown pension years], is to be a reference period.

(1C) The first day of each reference period is, in relation to that period, “the reference date”.]

(2) For the first <sup>F1237</sup>drawdown pension year] falling within a reference period, the basis amount is the annual amount of the relevant annuity which could have been purchased by the application of the sums and assets representing the <sup>F1238</sup>dependant's drawdown pension fund] on the nominated date (but subject to sub-paragraph (5)).

(3) “The nominated date” —

- (a) in relation to the first reference period, is the reference date, and
- (b) in relation to any subsequent reference period, is such day, within the period of 60 days ending with the reference date, as is nominated by the scheme administrator (or if no day is nominated by the scheme administrator, is the reference date).

(4) For each other <sup>F1239</sup>drawdown pension year] falling within a reference period, the basis amount is the annual amount of the relevant annuity which could have been purchased by the application of the sums and assets representing the <sup>F1240</sup>dependant's drawdown pension fund]—

- (a) if there has been no recent annuity purchase<sup>F1241</sup>, recent additional fund designation or recent pension sharing event], on the nominated date, and
- (b) otherwise, immediately after the last annuity purchase<sup>F1242</sup>, additional fund designation or pension sharing event],

(but subject to sub-paragraph (5)).

(5) On the occasion of each additional fund designation during <sup>F1243</sup>a drawdown pension year], the basis amount for <sup>F1244</sup>that drawdown pension year] is to be recalculated in accordance with sub-paragraph (6).

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- (6) The basis amount for the [<sup>F1245</sup>drawdown pension year] is the annual amount of the relevant annuity which could have been purchased by the application of the sums and assets representing the [<sup>F1246</sup>dependant's drawdown pension fund] immediately after the additional fund designation.
- [<sup>F1247</sup>(6A) But sub-paragraph (5) does not apply where the operation of that sub-paragraph in relation to an additional fund designation during a drawdown pension year would reduce the basis amount for that drawdown pension year.]
- (7) “Annuity purchase” means the purchase of a dependants' scheme pension or dependants' annuity by the application of sums or assets representing the whole or part of the [<sup>F1248</sup>dependant's drawdown pension fund].
- (8) “Additional fund designation” means the designation under the arrangement of further [<sup>F1249</sup>sums or assets] held for the purposes of the arrangement as available for the payment of [<sup>F1250</sup>dependants' drawdown pension] to the dependant.
- [<sup>F1251</sup>(8A) “Pension sharing event” means the coming into operation of a pension sharing order or provision relating to the sums and assets representing the [<sup>F1252</sup>dependant's drawdown pension fund].]
- (9) An annuity purchase<sup>F1253</sup>, additional fund designation or pension sharing event] is “recent” if it took place during the period—
- (a) beginning with the reference date, and
  - (b) ending with the last day of the immediately preceding [<sup>F1254</sup>drawdown pension year].
- (10) Paragraph 14 defines “relevant annuity”.
- [<sup>F1255</sup>(11) . . . . .]

#### Textual Amendments

- F1233**Sch. 28 para. 24(1)(1ZA)(A1) substituted for Sch. 28 para. 24(1) (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 18\(2\)](#)
- F1234**Sch. 28 para. 24(1)-(1C) substituted (19.7.2007) for Sch. 28 para. 24(1) (with effect in accordance with Sch. 20 para. 24(5) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), [Sch. 20 para. 8\(3\)](#)
- F1235**Words in Sch. 28 para. 24(1B)(b) inserted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 18\(3\)\(a\)](#)
- F1236**Words in Sch. 28 para. 24(1B)(b) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 18\(3\)\(b\)](#)
- F1237**Words in Sch. 28 para. 24(2) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 18\(4\)\(a\)](#)
- F1238**Words in Sch. 28 para. 24(2) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 18\(4\)\(b\)](#)
- F1239**Words in Sch. 28 para. 24(4) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 18\(4\)\(a\)](#)
- F1240**Words in Sch. 28 para. 24(4) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 18\(4\)\(b\)](#)
- F1241**Words in Sch. 28 para. 24(4)(a) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 22\(2\)\(a\)](#), [64\(1\)](#)
- F1242**Words in Sch. 28 para. 24(4)(b) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 22\(2\)\(b\)](#), [64\(1\)](#)

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- F1243** Words in Sch. 28 para. 24(5) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 18(5)(a)**
- F1244** Words in Sch. 28 para. 24(5) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 18(5)(b)**
- F1245** Words in Sch. 28 para. 24(6) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 18(6)(a)**
- F1246** Words in Sch. 28 para. 24(6) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 18(6)(b)**
- F1247** Sch. 28 para. 24(6A) inserted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 18(7)**
- F1248** Words in Sch. 28 para. 24(7) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 18(8)**
- F1249** Words in Sch. 28 para. 24(8) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 18(9)(a)**
- F1250** Words in Sch. 28 para. 24(8) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 18(9)(b)**
- F1251** Sch. 28 para. 24(8A) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), **Sch. 10 paras. 22(3)**, 64(1)
- F1252** Words in Sch. 28 para. 24(8A) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 18(10)**
- F1253** Words in Sch. 28 para. 24(9) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), **Sch. 10 paras. 22(4)**, 64(1)
- F1254** Words in Sch. 28 para. 24(9)(b) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 18(11)**
- F1255** Sch. 28 para. 24(11) omitted (6.4.2015) by virtue of [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 32(1)(e)(iv)(4)**

**Modifications etc. (not altering text)**

- C199** Sch. 28 para. 24 modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), 3, 5(1)(3)
- C200** Sch. 28 para. 24 modified (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 98(2)(b)**
- C201** Sch. 28 para. 24(4) applied (with modifications) (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 98(7)**
- C202** Sch. 28 para. 24(7)-(8A) modified (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 98(8)**

<sup>F1256</sup>**24A**) This paragraph applies in relation to drawdown pension years beginning after the dependant's 75th birthday.

- (2) For each drawdown pension year beginning after the dependant reached the age of 75, the basis amount is the annual amount of the relevant annuity which could have been purchased by the application of the sums and assets representing the dependant's drawdown pension fund on the nominated date.
- (3) “The nominated date” is such day within the period of 60 days ending with the first day of the drawdown pension year as is nominated by the scheme administrator (or, if no day is nominated by the scheme administrator, is the first day of that year).
- (4) On the occasion of each additional fund designation during a drawdown pension year, the basis amount of that drawdown pension year is to be recalculated in accordance with sub-paragraph (5).
- (5) The basis amount for the drawdown pension year is the annual amount of the relevant annuity which could have been purchased by the application of the sums

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and assets representing the dependant's drawdown pension fund immediately after the additional fund designation.

(6) But sub-paragraph (4) does not apply where the operation of that sub-paragraph in relation to an additional fund designation during a drawdown pension year would reduce the basis amount for that drawdown pension year.

(7) “Additional fund designation” has the meaning given by paragraph 24(8).

(8) Paragraph 14 defines “relevant annuity”.

<sup>F1257</sup>(9) .....

**Textual Amendments**

**F1256**Sch. 28 paras. 24A, 24B inserted (with effect in accordance with Sch. 16 paras. 85, 99(3) of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 19**

**F1257**Sch. 28 para. 24A(9) omitted (6.4.2015) by virtue of [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 32(1)(e)(v)(4)**

24B (1) This paragraph applies if the dependant has reached the age of 75.

(2) Sub-paragraph (3) applies if, at any time during a drawdown pension year in respect of an arrangement (“the current drawdown pension year”), the dependant notifies the scheme administrator that the dependant wishes the drawdown pension year following the current drawdown pension year to begin on the day on which the next drawdown pension year in respect of another arrangement relating to the dependant under the pension scheme (including any arrangement relating to that person as a member of the scheme) will begin.

(3) The scheme administrator may determine—

- (a) that the current drawdown pension year is to end immediately before that day, and
- (b) that the period of 12 months beginning with that day, and each succeeding period of 12 months, is a drawdown pension year in respect of the arrangement.

(4) The scheme administrator may not make a determination under this paragraph more than once in relation to the same arrangement.]

**Textual Amendments**

**F1256**Sch. 28 paras. 24A, 24B inserted (with effect in accordance with Sch. 16 paras. 85, 99(3) of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 19**

*Minimum income requirement*

<sup>F1258</sup>24C .....

**Textual Amendments**

**F1258**Sch. 28 paras. 24C-24G omitted (6.4.2015) by virtue of [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 32(1)(e)(vi)(4)**



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F1258 24D .....

**Textual Amendments**

F1258Sch. 28 paras. 24C-24G omitted (6.4.2015) by virtue of [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 32\(1\)\(e\)\(vi\)\(4\)](#)

The relevant day

F1258 24E .....

**Textual Amendments**

F1258Sch. 28 paras. 24C-24G omitted (6.4.2015) by virtue of [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 32\(1\)\(e\)\(vi\)\(4\)](#)

Relevant contributions

F1258 24F .....

**Textual Amendments**

F1258Sch. 28 paras. 24C-24G omitted (6.4.2015) by virtue of [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 32\(1\)\(e\)\(vi\)\(4\)](#)

Valid and accepted declarations

F1258 24G .....

**Textual Amendments**

F1258Sch. 28 paras. 24C-24G omitted (6.4.2015) by virtue of [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 32\(1\)\(e\)\(vi\)\(4\)](#)

*Dependant's alternatively secured pension fund*

F1259 25 .....

**Textual Amendments**

F1259Sch. 28 paras. 25-27 omitted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 78\(d\)](#)

*Alternatively secured pension year and basis amount for alternatively secured pension year*

F1259 26 .....

**Textual Amendments**

F1259Sch. 28 paras. 25-27 omitted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 78\(d\)](#)

F1259 27 .....

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**Textual Amendments**

**F1259**Sch. 28 paras. 25-27 omitted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 78\(d\)](#)

*[<sup>F1260</sup>Meaning of “nominee”*

**Textual Amendments**

**F1260**Sch. 28 paras. 27A-27K and cross-headings inserted (17.12.2014) (with effect in accordance with Sch. 2 para. 3(2) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 3\(1\)](#)

- 27A (1) “Nominee of the member” means an individual—
- (a) nominated by the member, or
  - (b) nominated by the scheme administrator,
- who is not a dependant of the member, but see sub-paragraph (2).
- (2) In relation to any particular benefits under an arrangement, no individual nominated by the scheme administrator counts as a nominee of the member at any time when there is—
- (a) a dependant of the member, or
  - (b) an individual, or charity, nominated by the member in relation to the benefits.
- (3) The reference in sub-paragraph (2)(b) to being nominated in relation to particular benefits under an arrangement includes—
- (a) a reference to being nominated in relation to the scheme,
  - (b) a reference to being nominated in relation to arrangements that include the arrangement,
  - (c) a reference to being nominated in relation to the arrangement, and
  - (d) a reference to being nominated in relation to benefits that include the particular benefits.

*[<sup>F1261</sup>Nominees’ annuity*

**Textual Amendments**

**F1261**Sch. 28 para. 27AA and cross-heading inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 4 para. 3\(2\)](#) (with [Sch. 4 para. 3\(4\)](#))

- 27AA (1) For the purposes of this Part an annuity payable to a nominee is a nominees' annuity if—
- (a) either—
    - (i) it is purchased together with a lifetime annuity payable to the member and the member becomes entitled to that lifetime annuity on or after 6 April 2015, or
    - (ii) it is purchased after the member's death, the member dies on or after 3 December 2014 and the nominee becomes entitled to the annuity on or after 6 April 2015,

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- (b) it is payable by an insurance company, and
  - (c) it is payable until the nominee's death or until the earliest of the nominee's marrying, entering into a civil partnership or dying.
- (2) For the purposes of sub-paragraph (1)(a) a nominees' annuity is purchased together with a lifetime annuity if the nominees' annuity is related to the lifetime annuity.
- (3) The Commissioners for Her Majesty's Revenue and Customs may by regulations make provision in relation to cases in which a nominees' annuity payable to a person (“the original nominees' annuity”) ceases to be payable and in consequence of that—
- (a) sums or assets (or both) are transferred from the insurance company to another insurance company and are applied—
    - (i) towards the provision of another nominees' annuity (a “new nominees' annuity”) by the other insurance company, or
    - (ii) otherwise, or
  - (b) sums or assets are transferred to the relevant registered pension scheme.
- (4) The regulations may provide that—
- (a) in a case where a new nominees' annuity becomes payable, the new nominees' annuity is to be treated, to such extent as is prescribed by the regulations and for such of the purposes of this Part as are so prescribed, as if it were the original nominees' annuity, and
  - (b) in any other case, the relevant registered pension scheme is to be treated as making an unauthorised payment in respect of the member of an amount equal to the aggregate of the sums, and the market value of the assets, transferred.
- (5) For the purposes of sub-paragraphs (3) and (4) a registered pension scheme is the relevant registered pension scheme if the original nominees' annuity was acquired using sums or assets held for the purposes of the pension scheme.]

*Nominees' drawdown pension*

- 27B “Nominees' drawdown pension” means—
- (a) a nominees' short-term annuity, or
  - (b) nominees' income withdrawal.

*Nominees' short-term annuity*

- 27C (1) For the purposes of this Part an annuity payable to a nominee is a nominees' short-term annuity if—
- (a) it is purchased by the application of sums or assets representing the whole or any part of the nominee's flexi-access drawdown fund in respect of an arrangement,
  - (b) it is payable by an insurance company,
  - (c) the nominee becomes entitled to it on or after 6 April 2015, and
  - (d) it is payable for a term which does not exceed five years and ends before the nominee dies.
- (2) The Commissioners for Her Majesty's Revenue and Customs may by regulations make provision in relation to cases in which a nominees' short-term annuity payable

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to a person (“the original nominees' short-term annuity”) ceases to be payable and in consequence of that—

- (a) sums or assets (or both) are transferred from the insurance company to another insurance company and are applied—
    - (i) towards the provision of another nominees' short-term annuity (a “new nominees' short-term annuity”) by the other insurance company, or
    - (ii) otherwise, or
  - (b) sums or assets are transferred to the relevant registered pension scheme.
- (3) The regulations may provide that—
- (a) in a case where a new nominees' short-term annuity becomes payable, the new nominees' short-term annuity is to be treated, to such extent as is prescribed by the regulations and for such of the purposes of this Part as are so prescribed, as if it were the original nominees' short-term annuity, and
  - (b) in any other case, the relevant registered pension scheme is to be treated as making an unauthorised payment in respect of the member of an amount equal to the aggregate of the sums, and the market value of the assets, transferred.
- (4) For the purposes of sub-paragraphs (2) and (3) a registered pension scheme is the relevant registered pension scheme if the original nominees' short-term annuity was acquired using sums or assets held for the purposes of the pension scheme.

*Nominees' income withdrawal*

27D “Nominees' income withdrawal” means an amount (other than an annuity) which the nominee is entitled to be paid from the nominee's flexi-access drawdown fund in respect of an arrangement.

*Nominee's flexi-access drawdown fund*

- 27E (1) For the purposes of this Part a nominee's flexi-access drawdown fund in respect of an arrangement consists of such of the sums or assets held for the purposes of the arrangement as are newly-designated nominee funds.
- (2) For the purposes of this Part sums or assets held for the purposes of an arrangement are newly-designated nominee funds if—
- (a) they—
    - (i) have, at any time on or after 6 April 2015, been designated under the arrangement as available for the payment of nominees' drawdown pension, and
    - (ii) were, immediately before being so designated, unused drawdown funds or unused uncrystallised funds, or
  - (b) they arise, or (directly or indirectly) derive, from newly-designated nominee funds under paragraph (a) or from sums or assets which so arise or derive.
- (3) Sums or assets held for the purposes of an arrangement after the member's death are unused drawdown funds if—
- (a) immediately before the member's death, they were held for the purposes of the arrangement and represented (whether alone or with other sums or assets)

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- the member's flexi-access drawdown fund, or drawdown pension fund, in respect of the arrangement, or
- (b) they arise, or (directly or indirectly) derive, from unused drawdown funds under paragraph (a) or from sums or assets which so arise or <sup>F1262</sup>derive,] <sup>F1263</sup>and since the member's death they have not been designated as available for the payment of dependants' drawdown pension, not been designated as available for the payment of nominees' drawdown pension, not been applied towards the provision of a dependants' annuity, not been applied towards the provision of a nominees' annuity and not been applied towards the provision of a dependants' scheme pension.]
- (4) In the case of a cash balance arrangement, sums or assets held for the purposes of the arrangement after the member's death are unused uncrystallised funds if—
- (a) they represent the whole or any part of the sum that would have been available immediately before the member's death for the provision of benefits to or in respect of the member if entitlement had arisen immediately before the member's death to all benefits under the arrangement to which entitlement had not previously arisen, and
- (b) since the member's death they have not been designated as available for the payment of dependants' drawdown pension, not been designated as available for the payment of nominees' drawdown pension, not been applied towards the provision of a dependants' annuity<sup>F1264</sup>, not been applied towards the provision of a nominees' annuity] and not been applied towards the provision of a dependants' scheme pension.
- (5) In the case of any other money purchase arrangement, sums or assets held for the purposes of the arrangement after the member's death are unused uncrystallised funds if—
- (a) immediately before the member's death they were held for the purposes of the arrangement and at that time—
- (i) were not member-designated funds,
- (ii) were not newly-designated funds,
- (iii) had not been applied towards the provision of a scheme pension, and
- (iv) had not been applied towards the provision of a dependants' scheme pension, or
- (b) they arise, or (directly or indirectly) derive, from unused uncrystallised funds under paragraph (a) or from sums or assets which so arise or derive, and since the member's death they have not been designated as available for the payment of dependants' drawdown pension, not been designated as available for the payment of nominees' drawdown pension, not been applied toward the provision of a dependants' annuity<sup>F1265</sup>, not been applied towards the provision of a nominees' annuity] and not been applied toward the provision of a dependants' scheme pension.

#### Textual Amendments

**F1262** Word in Sch. 28 para. 27E(3)(b) substituted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 4 para. 13\(4\)](#)  
(a)

**F1263** Words in Sch. 28 para. 27E(3) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 4 para. 13\(4\)\(b\)](#)

**F1264** Words in Sch. 28 para. 27E(4)(b) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 4 para. 13\(5\)](#)

**F1265** Words in Sch. 28 para. 27E(5) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 4 para. 13\(5\)](#)

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**Modifications etc. (not altering text)**

- C203** Sch. 28 paras. 27E(3)-(5) applied by 2003 c. 1, s. 646B(5) (as inserted (with effect in accordance with Sch. 4 para. 17(2) of the amending Act) by [Finance Act 2015 \(c. 11\)](#), [Sch. 4 para. 17\(1\)](#))
- C204** Sch. 28 paras. 27E(3)-(5) applied by 2003 c. 1, s. 646D(5) (as inserted (with effect in accordance with Sch. 4 para. 17(2) of the amending Act) by [Finance Act 2015 \(c. 11\)](#), [Sch. 4 para. 17\(1\)](#))
- C205** Sch. 28 para. 27E(4)(5) applied by 2003 c. 1, s. 646C(9) (as inserted (with effect in accordance with Sch. 4 para. 17(2) of the amending Act) by [Finance Act 2015 \(c. 11\)](#), [Sch. 4 para. 17\(1\)](#))
- C206** Sch. 28 paras. 27E(4) applied (17.12.2014) by [Income Tax \(Earnings and Pensions\) Act 2003 \(c.1\)](#), [s. 579CZA\(9\)](#) (as inserted (with effect in accordance with Sch. 2 para. 25(7)) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 25\(5\)](#))
- C207** Sch. 28 paras. 27E(5) applied (17.12.2014) by [Income Tax \(Earnings and Pensions\) Act 2003 \(c.1\)](#), [s. 579CZA\(9\)](#) (as inserted (with effect in accordance with Sch. 2 para. 25(7)) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 25\(5\)](#))

*Meaning of “successor”*

- 27F (1) “Successor of the member” means an individual—
- (a) nominated by a dependant of the member,
  - (b) nominated by a nominee of the member,
  - (c) nominated by a successor of the member, or
  - (d) nominated by the scheme administrator,
- but see sub-paragraph (2).
- (2) In relation to any particular benefits under an arrangement relating to a dependant, nominee or successor of the member (“the beneficiary”) in that capacity, no individual nominated by the scheme administrator counts as a successor of the member at any time after the beneficiary's death when there is an individual, or charity, nominated by the beneficiary in relation to the benefits.
- (3) A reference in sub-paragraph (2) to being nominated in relation to particular benefits under an arrangement includes—
- (a) a reference to being nominated in relation to the scheme,
  - (b) a reference to being nominated in relation to arrangements that include the arrangement,
  - (c) a reference to being nominated in relation to the arrangement, and
  - (d) a reference to being nominated in relation to benefits that include the particular benefits.
- (4) Where a successor of the member is an individual who is also a dependant of the member, the individual in the capacity of a successor of the member is to be treated as not also being a dependant of the member.

*F<sup>1266</sup>Successors' annuity*

**Textual Amendments**

- F1266**Sch. 28 para. 27FA and cross-heading inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 4 para. 3\(3\)](#) (with [Sch. 4 para. 3\(4\)](#))

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**Modifications etc. (not altering text)**

**C208** Sch. 28 para. 27FA(2) applied by 2003 c. 1, s. 646D(6) (as inserted (with effect in accordance with Sch. 4 para. 17(2) of the amending Act) by Finance Act 2015 (c. 11), Sch. 4 para. 17(1))

**C209** Sch. 28 para. 27FA(2) applied by 2003 c. 1, s. 646B(6) (as inserted (with effect in accordance with Sch. 4 para. 17(2) of the amending Act) by Finance Act 2015 (c. 11), Sch. 4 para. 17(1))

27FA (1) For the purposes of this Part an annuity payable to a successor is a successors' annuity if—

- (a) the successor becomes entitled to it on or after 6 April 2015,
- (b) it is payable by an insurance company,
- (c) it is payable until the successor's death or until the earliest of the successor's marrying, entering into a civil partnership or dying,
- (d) it is purchased after the death of a dependant, nominee or successor of the member (“the beneficiary”),
- (e) it is purchased using undrawn funds, and
- (f) the beneficiary dies on or after 3 December 2014.

(2) For the purposes of sub-paragraph (1)(e), sums or assets held for the purposes of an arrangement after the beneficiary's death are undrawn funds if—

- (a) immediately before the beneficiary's death, they were held for the purposes of the arrangement and, as the case may be, represented (alone or with other sums or assets) the beneficiary's—
  - (i) dependant's flexi-access drawdown fund,
  - (ii) dependant's drawdown pension fund,
  - (iii) nominee's flexi-access drawdown fund, or
  - (iv) successor's flexi-access drawdown fund,in respect of the arrangement, or
- (b) they arise, or (directly or indirectly) derive, from undrawn funds under paragraph (a) or from sums or assets which so arise or derive.

(3) The Commissioners for Her Majesty's Revenue and Customs may by regulations make provision in relation to cases in which a successors' annuity payable to a person (“the original successors' annuity”) ceases to be payable and in consequence of that—

- (a) sums or assets (or both) are transferred from the insurance company to another insurance company and are applied—
  - (i) towards the provision of another successors' annuity (a “new successors' annuity”) by the other insurance company, or
  - (ii) otherwise, or
- (b) sums or assets are transferred to the relevant registered pension scheme.

(4) The regulations may provide that—

- (a) in a case where a new successors' annuity becomes payable, the new successors' annuity is to be treated, to such extent as is prescribed by the regulations and for such of the purposes of this Part as are so prescribed, as if it were the original successors' annuity, and
- (b) in any other case, the relevant registered pension scheme is to be treated as making an unauthorised payment in respect of the member of an amount equal to the aggregate of the sums, and the market value of the assets, transferred.

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- (5) For the purposes of sub-paragraphs (3) and (4) a registered pension scheme is the relevant registered pension scheme if the original successors' annuity was acquired using sums or assets held for the purposes of the pension scheme.]

*Successors' drawdown pension*

- 27G “Successors' drawdown pension” means—
- (a) a successors' short-term annuity, or
  - (b) successors' income withdrawal.

*Successors' short-term annuity*

- 27H (1) For the purposes of this Part an annuity payable to a successor is a successors' short-term annuity if—
- (a) it is purchased by the application of sums or assets representing the whole or any part of the successor's flexi-access drawdown fund in respect of an arrangement,
  - (b) it is payable by an insurance company,
  - (c) the successor becomes entitled to it on or after 6 April 2015, and
  - (d) it is payable for a term which does not exceed five years and ends before the successor dies.
- (2) The Commissioners for Her Majesty's Revenue and Customs may by regulations make provision in relation to cases in which a successors' short-term annuity payable to a person (“the original successors' short-term annuity”) ceases to be payable and in consequence of that—
- (a) sums or assets (or both) are transferred from the insurance company to another insurance company and are applied—
    - (i) towards the provision of another successors' short-term annuity (a “new successors' short-term annuity”) by the other insurance company, or
    - (ii) otherwise, or
  - (b) sums or assets are transferred to the relevant registered pension scheme.
- (3) The regulations may provide that—
- (a) in a case where a new successors' short-term annuity becomes payable, the new successors' short-term annuity is to be treated, to such extent as is prescribed by the regulations and for such of the purposes of this Part as are so prescribed, as if it were the original successors' short-term annuity, and
  - (b) in any other case, the relevant registered pension scheme is to be treated as making an unauthorised payment in respect of the member of an amount equal to the aggregate of the sums, and the market value of the assets, transferred.
- (4) For the purposes of sub-paragraphs (2) and (3) a registered pension scheme is the relevant registered pension scheme if the original successors' short-term annuity was acquired using sums or assets held for the purposes of the pension scheme.



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### *Successors' income withdrawal*

- 27J “Successors' income withdrawal” means an amount (other than an annuity) which the successor is entitled to be paid from the successor's flexi-access drawdown fund in respect of an arrangement.

### *Successor's flexi-access drawdown fund*

- 27K (1) For the purposes of this Part a successor's flexi-access drawdown fund in respect of an arrangement consists of such of the sums or assets held for the purposes of the arrangement as are newly-designated successor funds.
- (2) For the purposes of this Part sums or assets held for the purposes of an arrangement are newly-designated successor funds if—
- (a) they—
- (i) have, at any time on or after 6 April 2015, been designated under the arrangement as available for the payment of successors' drawdown pension, and
- (ii) were, immediately before being so designated, unused drawdown funds of the same deceased dependant, nominee or successor of the member, or
- (b) they arise, or (directly or indirectly) derive, from newly-designated successor funds under paragraph (a) or from sums or assets which so arise or derive.
- (3) Sums or assets held for the purposes of an arrangement after the death of a dependant, nominee or successor (“the beneficiary”) are unused drawdown funds of the beneficiary's if—
- (a) immediately before the beneficiary's death, they were held for the purposes of the arrangement and represented (whether alone or with other sums or assets) the beneficiary's—
- (i) dependant's flexi-access drawdown fund,
- (ii) dependant's drawdown pension fund,
- (iii) nominee's flexi-access drawdown fund, or
- (iv) successor's flexi-access drawdown fund,
- in respect of the arrangement, or
- (b) they arise, or (directly or indirectly) derive, from unused drawdown funds of the beneficiary's under paragraph (a) or from sums or assets which so arise or [<sup>F1267</sup>derive,]]
- [<sup>F1268</sup>and since the beneficiary's death they have not been designated as available for the payment of successors' drawdown pension and not been applied towards the provision of a successors' annuity.]

#### **Textual Amendments**

**F1267** Word in Sch. 28 para. 27K(3)(b) substituted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 4 para. 13\(6\)](#)

(a)

**F1268** Words in Sch. 28 para. 27K(3) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 4 para. 13\(6\)\(b\)](#)

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## SCHEDULE 29

Sections 166 and 168

### REGISTERED PENSION SCHEMES: AUTHORISED LUMP SUMS—SUPPLEMENTARY

#### Modifications etc. (not altering text)

- C210** Sch. 29 modified by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\) Regulations 2006 \(S.I. 2006/207\)](#), regs. 1(1), **15** (as substituted (with effect in accordance with reg. 1(3) of the amending S.I.) by [S.I. 2012/1795](#), regs. 1(1), 6; and amended by [Taxation of Pensions Act 2014 \(c. 30\)](#), Sch. 1 para. 96(3)-(14) (with Sch. 1 para. 96(16)(b))
- C211** Sch. 29 modified by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), **art. 23C** (as inserted (1.6.2009) by [S.I. 2009/1172](#), arts. 1, 3 (as amended (with effect in accordance with **s. 42(9)** of the amending Act) by [Finance Act 2014 \(c. 26\)](#), s. 42(5); and as amended by [Taxation of Pensions Act 2014 \(c. 30\)](#), Sch. 1 para. 72(1) (with Sch. 1 para. 72(2)(b)))

## PART 1

### LUMP SUM RULE

#### Modifications etc. (not altering text)

- C212** Sch. 29 Pt. 1 modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), **25(1)(2)(4)**
- C213** Sch. 29 Pt. 1 applied (with modifications) (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, **11**

#### *Pension commencement lump sum*

- 1 (1) For the purposes of this Part a lump sum is a pension commencement lump sum if—
- <sup>F1269</sup><sup>F1270</sup>(a) . . . . .
- (aa) the member becomes entitled to it in connection with becoming entitled to a relevant pension (or dies after becoming entitled to it but before becoming entitled to the relevant pension in connection with which it was anticipated that the member would become entitled to it)
- (b) it is paid when all or part of the member’s lifetime allowance is available [<sup>F1271</sup>(but see sub-paragraph (3A))],
- (c) it is paid within the period [<sup>F1272</sup>beginning six months before, and ending one year after,] the day on which the member becomes entitled to it,
- (d) it is paid when the member has reached normal minimum pension age (or the ill-health condition is satisfied),
- <sup>F1273</sup>(e) . . . . . and
- (f) it is not an excluded lump sum (see sub-paragraph (4)).
- (2) But if a lump sum falling within sub-paragraph (1) exceeds the permitted maximum, the excess is not a pension commencement lump sum.
- (3) A pension is a relevant pension if—
- (a) it is income withdrawal, a lifetime annuity or a scheme pension, and

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- (b) the member becomes entitled to it <sup>F1274</sup>[<sup>F1275</sup>... under the pension scheme] under which the member becomes entitled to the lump sum.
- <sup>F1276</sup>(3A) In a case where—
- (a) the member becomes entitled to a lump sum before reaching the age of 75, but
- (b) it is not paid to the member until after the member has reached that age, the reference in sub-paragraph (1)(b) to the lump sum being paid is to be read as a reference to the member becoming entitled to it.]
- (4) A lump sum is an excluded lump sum if—
- (a) the pension in connection with which the member becomes entitled to it is a scheme pension the rate of which is to reduce (or which is to cease to be payable) in accordance with paragraph 2(4)(c) of Schedule 28 <sup>F1277</sup>..., and
- (b) the sole or main purpose of making provision for the pension to be such a pension was to increase the member's entitlement to a lump sum on which there is no liability to income tax.
- (5) Paragraph 2 defines the permitted maximum.
- <sup>F1278</sup>(6) The Board of Inland Revenue may by regulations provide that, where incorrect income tax has been paid by the scheme administrator in relation to the member by way of the lifetime allowance charge in circumstances prescribed by the regulations, a lump sum subsequently paid to the member in circumstances so prescribed is to be treated as a pension commencement lump sum [<sup>F1279</sup>even though the condition in sub-paragraph (1)(c) is not met.]]

#### Textual Amendments

- F1269**Sch. 29 para. 1(1)(a) omitted (with effect in accordance with Sch. 16 paras. 85, 101 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 24\(2\)\(a\)](#)
- F1270**Sch. 29 para. 1(1)(a)(aa) substituted (retrospective to 6.4.2006) for Sch. 29 para. 1(1)(a) by [Finance Act 2007 \(c. 11\)](#), [Sch. 20 paras. 11\(2\)\(a\), 24\(3\)](#)
- F1271**Words in Sch. 29 para. 1(1)(b) inserted (with effect in accordance with Sch. 16 paras. 85, 101 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 24\(2\)\(b\)](#)
- F1272**Words in Sch. 29 para. 1(1)(c) substituted (retrospective to 6.4.2006) by [Finance Act 2007 \(c. 11\)](#), [Sch. 20 paras. 11\(2\)\(b\), 24\(3\)](#)
- F1273**Words in Sch. 29 para. 1(1)(e) omitted (retrospective to 6.4.2006) by virtue of [Finance Act 2007 \(c. 11\)](#), [Sch. 20 paras. 11\(2\)\(c\), 24\(3\)](#)
- F1274**Words in Sch. 29 para. 1(3)(b) omitted (with effect in accordance with Sch. 16 paras. 85, 101 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 79\(2\)](#)
- F1275**Words in Sch. 29 para. 1(3)(b) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 34\(2\), 64\(1\)](#)
- F1276**Sch. 29 para. 1(3A) inserted (with effect in accordance with Sch. 16 paras. 85, 101 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 24\(3\)](#)
- F1277**Words in Sch. 29 para. 1(4)(a) omitted (with effect in accordance with s. 51(5) of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [s. 51\(3\)](#)
- F1278**Sch. 29 para. 1(6) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 34\(3\), 64\(1\)](#)
- F1279**Words in Sch. 29 para. 1(6) substituted (with effect in accordance with Sch. 16 paras. 85, 101 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 24\(4\)](#)

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**Modifications etc. (not altering text)**

**C214** Sch. 29 para. 1 modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), **28**

**C215** Sch. 29 para. 1 modified (27.7.2010) by [Finance \(No. 2\) Act 2010 \(c. 31\)](#), **Sch. 3 para. 7**

**C216** Sch. 29 para. 1(1) modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), **18**

[<sup>F1280</sup>1A] Paragraph 1(1)(c) is to be omitted when deciding whether a lump sum to which this paragraph applies is a pension commencement lump sum.

(2) This paragraph applies to a lump sum if—

- (a) the sum is paid in respect of a money purchase arrangement,
- (b) the sum is paid before the member becomes entitled to the sum,
- (c) either—
  - (i) the sum is paid on or after 19 September 2013 but before 6 April 2015, or
  - (ii) the sum is paid before 19 September 2013, a contract for a lifetime annuity is entered into to provide the pension in connection with which the sum is paid, and on or after 19 March 2014 the contract is cancelled, and
- (d) the member becomes entitled to the sum before 6 October 2015.

(3) Where—

- (a) a lump sum to which this paragraph applies is a pension commencement lump sum but would not be a pension commencement lump sum if sub-paragraph (1) were omitted, and
- (b) the lump sum is paid to the member in connection with a pension under the scheme to which it is expected that the member will become entitled (“the expected pension”),

no lump sum paid to the member out of the expected-pension fund is a pension commencement lump sum; and here “the expected-pension fund” means the sums and assets that from time to time represent the sums and assets that, when the lump sum mentioned in paragraph (a) was paid, were held for the purpose of providing the expected pension.

(4) For the purposes of sub-paragraph (2), if the circumstances are as described in sub-paragraph (2)(c)(ii), the member is treated as not having become entitled to the arranged pension as a result of the cancelled contract having been entered into; and here “the arranged pension” means the pension that would have been provided by that contract had it not been cancelled.]

**Textual Amendments**

**F1280** Sch. 29 para. 1A inserted (19.3.2014) by [Finance Act 2014 \(c. 26\)](#), **Sch. 5 paras. 1, 15**

[<sup>F1281</sup>1B] (1) When deciding whether a lump sum to which this paragraph applies is a pension commencement lump sum—

- (a) paragraph 1(1)(aa) and (c) and (3) are to be omitted,
- (b) paragraph 1(4) is to be treated as referring to the actual pension (see sub-paragraph (2)(h) of this paragraph), and

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- (c) paragraph 2(2) is to be treated as referring to the arrangement under which the member was expected to become entitled to the expected pension (see sub-paragraph (2)(b) of this paragraph).
- (2) This paragraph applies to a lump sum if—
- (a) the sum is paid in respect of a money purchase arrangement,
  - (b) the sum is paid to the member in connection with a pension under a registered pension scheme to which it is expected that the member will become entitled (“the expected pension”),
  - (c) the expected pension is income withdrawal, a lifetime annuity or a scheme pension,
  - (d) the sum is paid before the member becomes entitled to the expected pension,
  - (e) either—
    - (i) the sum is paid on or after 19 September 2013 but before 6 April 2015, or
    - (ii) the sum is paid before 19 September 2013, a contract for a lifetime annuity is entered into to provide the expected pension, and on or after 19 March 2014 the contract is cancelled,
  - (f) the sum is not repaid at any time before 6 October 2015,
  - (g) before the member becomes entitled to the expected pension, there is a recognised transfer of the sums and assets that immediately before the transfer represent the sums and assets that when the sum was paid were held for the purpose of providing the expected pension,
  - (h) the member becomes entitled before 6 October 2015 to a pension under the scheme to which the recognised transfer is made (“the actual pension”),
  - (i) the actual pension is income withdrawal, a lifetime annuity or a scheme pension, or some combination of them, and
  - (j) all of the sums and assets that represent the sums and assets transferred by the recognised transfer are used to provide the actual pension.
- (3) If a lump sum to which this paragraph applies is a pension commencement lump sum, any lump sum paid—
- (a) to the member,
  - (b) by the scheme to which the recognised transfer mentioned in sub-paragraph (2)(g) is made or by any other registered pension scheme (including the scheme from which the transfer was made), and
  - (c) in connection with the member's becoming entitled to the actual pension,
- is not a pension commencement lump sum.
- (4) For the purposes of sub-paragraph (2), if the circumstances are as described in sub-paragraph (2)(e)(ii), the member is treated as not having become entitled to the expected pension as a result of the cancelled contract having been entered into.]

#### Textual Amendments

F1281 Sch. 29 para. 1B inserted (19.3.2014) by Finance Act 2014 (c. 26), Sch. 5 paras. 2(1), 15

- 2 (1) If sub-paragraph (2) applies, the permitted maximum is nil.

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- (2) This sub-paragraph applies if all the member's rights under the arrangement under which the member becomes entitled to the relevant pension are attributable to a disqualifying pension credit.
- (3) A pension credit is disqualifying if, when the member becomes entitled to it, the person subject to the corresponding pension debit has an actual (rather than a prospective) right to payment of a pension under the relevant arrangement.
- (4) The relevant arrangement is the arrangement to which the pension sharing order or provision, by virtue of which the member becomes entitled to the pension credit, relates.
- (5) If sub-paragraph (2) does not apply, the permitted maximum is the lower of—
- (a) the available portion of the member's lump sum allowance, and
  - (b) the applicable amount, calculated in accordance with paragraph 3.
- [<sup>F1282</sup>(5A) But if the member dies before becoming entitled to the relevant pension in connection with which it was anticipated that the member would become entitled to the lump sum, the permitted maximum is the available portion of the member's lump sum allowance.]
- (6) The available portion of the member's lump sum allowance is—

$$\frac{\text{CSLA} - \text{AAC}}{4}$$

where—

CSLA is the current standard lifetime allowance, and

AAC is the aggregate of the [<sup>F1283</sup>relevant amount in the case of] each benefit crystallisation event which has occurred in relation to the member before the member becomes entitled to the lump sum, as adjusted under sub-paragraph (7) (and if no such benefit crystallisation event has occurred, is nil).

- [<sup>F1284</sup>(6A) Subject to sub-paragraph (6B), the relevant amount in the case of a benefit crystallisation event is the amount crystallised by it.
- (6B) If the benefit crystallisation event is becoming entitled to a scheme pension under a money purchase arrangement, the relevant amount in the case of the benefit crystallisation event is the aggregate of—
- (a) the amount of such of the sums held for the purposes of the pension scheme, and
  - (b) the market value of such of the assets held for the purposes of the pension scheme,
- as are applied in (or in connection with) the purchase or provision of the scheme pension and any related dependants' scheme pension.]
- (7) The adjustment of [<sup>F1285</sup>the relevant amount in the case of] a previous benefit crystallisation event referred to in the definition of AAC is the multiplication of the amount by—

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CSLA  
PSLA

where—

CSLA is the current standard lifetime allowance, and

PSLA is the standard lifetime allowance at the time of the previous benefit crystallisation event.

[<sup>F1286</sup>(7A) For the purposes of determining the available portion of the member's lump sum allowance—

- (a) the fact that benefit crystallisation event 5 or benefit crystallisation event 5B has occurred in relation to the member is to be disregarded, and
- (b) anything which, but for paragraph 2 or 15A of Schedule 32, would have been a benefit crystallisation event is to be treated as if it were such an event.]

(8) If the amount given by sub-paragraph (6) is negative, no portion of the member's lump sum allowance is available.

[<sup>F1287</sup>(9) Sub-paragraph (10) applies if the member is a protected individual (but not if this paragraph applies with the modifications set out in paragraph 27 or 28 of Schedule 36).

(10) Sub-paragraphs (6) and (7) have effect[<sup>F1288</sup>—

- (a) where the member becomes entitled to the lump sum on or after 6 April 2014, as if PSLA in the case of any previous benefit crystallisation event which occurs on or after 6 April 2014 were £1,500,000 if that is greater than PSLA in that case, and
- (b) as if CSLA were £1,500,000 if that is greater than CSLA.

(11) The member is a “protected individual” if—

- (a) paragraph 7 of Schedule 36 (primary protection) makes provision for a lifetime allowance enhancement factor in relation to the member, or
- (b) at the time the member becomes entitled to the lump sum, paragraph 12 of that Schedule (enhanced protection) applies in relation to the member.]

#### Textual Amendments

**F1282**Sch. 29 para. 2(5A) inserted (retrospectively) by [Finance Act 2007 \(c. 11\)](#), [Sch. 20 paras. 11\(4\), 24\(3\)](#)

**F1283**Words in Sch. 29 para. 2(6) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 23\(2\)](#)

**F1284**Sch. 29 para. 2(6A)(6B) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 23\(3\)](#)

**F1285**Words in Sch. 29 para. 2(7) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 23\(4\)](#)

**F1286**Sch. 29 para. 2(7A) inserted (with effect in accordance with Sch. 16 paras. 85, 101 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 25](#)

**F1287**Sch. 29 para. 2(9)-(11) inserted (with effect in accordance with Sch. 22 para. 8(3) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 22 para. 8\(2\)](#)

**F1288**Words in Sch. 29 para. 2(10) inserted (with effect in accordance with Sch. 4 para. 28(3) of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [Sch. 4 para. 28\(1\)](#)

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**Modifications etc. (not altering text)**

**C217** Sch. 29 para. 2 modified (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\)](#), regs. 1(1), **19(a)**

**C218** Sch. 29 para. 2(6) modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), **19**

- 3 (1) Where the member becomes entitled to income withdrawal, the applicable amount is one third of the aggregate of—
- (a) the amount of the sums designated as available for the payment of [<sup>F1289</sup>drawdown pension] on that occasion, and
  - (b) the market value of the assets so designated,
- but subject to sub-paragraph (2).
- (2) Any of the sums and assets so designated which represent rights attributable to a disqualifying pension credit are to be disregarded.
- (3) Where the member becomes entitled to a lifetime annuity, the applicable amount is one third of the annuity purchase price.
- (4) “The annuity purchase price” is the aggregate of—
- (a) the amount of such of the sums held for the purposes of the pension scheme, and
  - (b) the market value of such of the assets held for the purposes of the pension scheme,
- as are applied in (or in connection with) the purchase [<sup>F1290</sup>of the lifetime annuity and any related dependants' annuity][<sup>F1291</sup>and any related nominees' annuity] but subject to sub-paragraph (5).
- [<sup>F1292</sup>(4A) For the purposes of this Part a dependants' annuity is related to a lifetime annuity payable to a member of a registered pension scheme—
- (a) if they are purchased either in the form of a joint life annuity or separately in circumstances in which the day on which the one is purchased is no earlier than seven days before, and no later than seven days after, the day on which the other is purchased, and
  - (b) the dependant's annuity will be payable to a dependant of the member.]

[<sup>F1293</sup>(4B) For the purposes of this Part a nominees' annuity is related to a lifetime annuity payable to a member of a registered pension scheme—

    - (a) if they are purchased either in the form of a joint life annuity or separately in circumstances in which the day on which the one is purchased is no earlier than seven days before, and no later than seven days after, the day on which the other is purchased, and
    - (b) the nominees' annuity will be payable to a nominee of the member.]

[<sup>F1294</sup>(5) There is to be deducted from that aggregate—

      - (a) if the sums or assets applied in (or in connection with) the purchase of the annuity or any related dependants' annuity [<sup>F1295</sup>or any related nominees' annuity] consist of or include sums or assets representing the whole or part of the [<sup>F1296</sup>member's drawdown pension fund][<sup>F1297</sup>or of the member's flexi-access drawdown fund], the aggregate of the amount of those sums and the market value of those assets, and



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(b) in any case, so much (if any) of the sums or assets applied in (or in connection with) the purchase of the annuity or any related dependants' annuity [<sup>F1295</sup>or any related nominees' annuity] as represents rights which are attributable to a disqualifying pension credit.]

(6) Where the member becomes entitled to a scheme pension [<sup>F1298</sup>under a defined benefits arrangement], the applicable amount is—

$$\frac{LS + AC}{4}$$

but subject to sub-paragraph (8).

(7) In sub-paragraph (6)—

LS is the amount of the lump sum, and

[<sup>F1299</sup>AC is—

- (a) in a case where the member becomes entitled to the pension before reaching the age of 75, the amount crystallised by reason of the member becoming entitled to the pension, disregarding paragraph 3 of Schedule 32, and
- (b) in a case where the member becomes entitled to the pension after reaching that age, the amount that would have been so crystallised (disregarding that paragraph) but for paragraph 2 of that Schedule.]

[<sup>F1300</sup>(7A) Where the member becomes entitled to a scheme pension under a money purchase arrangement, the applicable amount is one third of the scheme pension purchase price.

(7B) “The scheme pension purchase price” is the aggregate of—

- (a) the amount of such of the sums held for the purposes of the pension scheme, and
- (b) the market value of such of the assets held for the purposes of the pension scheme,

as are applied in (or in connection with) the purchase or provision of the scheme pension and any related dependants' scheme pension, but subject to sub-paragraph (8).

(7C) For the purposes of this Part a dependants' scheme pension is related to a scheme pension payable to a member of a registered pension scheme if—

- (a) the day on which one is purchased or sums or assets are applied for its provision is no earlier than seven days before, and no later than seven days after, the day on which the other is purchased or sums or assets are applied for its provision, and
- (b) the dependants' scheme pension will be payable to a dependant of the member.]

(8) There is to be deducted from the aggregate of the amount of the lump sum and the amount crystallised [<sup>F1301</sup>or from the scheme pension purchase price]—

- (a) if the scheme pension is funded (in whole or in part) by the [<sup>F1302</sup>application] of sums or assets representing the whole or part of the [<sup>F1303</sup>member's drawdown pension fund][<sup>F1304</sup>or of the member's flexi-access drawdown

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fund], the aggregate of the amount of those sums and the market value of those assets, and

- (b) in any case, so much (if any) of the aggregate of the lump sum and the amount crystallised [<sup>F1305</sup>or of the scheme pension purchase price] as represents rights which are attributable to a disqualifying pension credit.

[<sup>F1306</sup>(8A) Sub-paragraphs (1) to (8) have effect subject to the following—

(a) if—

- (i) paragraph 1A or 1B applies to the lump sum,
- (ii) the lump sum is paid more than 6 months before the day on which the member becomes entitled to it,
- (iii) a contract for a lifetime annuity is entered into to provide the pension in connection with which the lump sum is paid, and
- (iv) on or after 19 March 2014 the contract is cancelled,

the applicable amount is one third of the annuity purchase price that would have been given by sub-paragraphs (4) to (5) in the case of that annuity had the contract not been cancelled, and

(b) if—

- (i) paragraph 1A or 1B applies to the lump sum,
- (ii) the lump sum is paid more than 6 months before the day on which the member becomes entitled to it, and
- (iii) paragraph (a) does not apply,

the applicable amount is one third of the sums, plus one third of the then market value of the assets, held at the time the lump sum is paid for the purpose of providing the pension at that time expected to be the pension in connection with which the lump sum is paid.

(8B) For the purposes of sub-paragraph (8A)(a)(ii), the member is treated as not having become entitled to a pension as a result of the cancelled contract having been entered into.]

[<sup>F1307</sup>(9) Sub-paragraph (10) applies if—

- (a) sums or assets held for the purposes of, or representing accrued rights under, a money purchase arrangement relating to the member under a registered pension scheme (“member money purchase funds”) are subject to a relevant surrender or a relevant transfer,
- (b) the sole or main purpose of the relevant surrender or relevant transfer is to increase the applicable amount on the member becoming entitled to a scheme pension, and
- (c) the member becomes entitled to a scheme pension under a relevant defined benefits arrangement.

(10) The pension scheme under which the relevant defined benefits arrangement is an arrangement is to be treated as making an unauthorised payment to the member of any amount by which—

- (a) the applicable amount in relation to the scheme pension under sub-paragraph (6), exceeds
- (b) the amount which would be that applicable amount under sub-paragraph (7A) if the arrangement were a money purchase arrangement.

(11) For the purposes of sub-paragraph (9)—

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- (a) member money purchase funds are subject to a relevant surrender if they are surrendered and, in consequence of the surrender, there is a corresponding increase in the sums or assets held for the purposes of, or representing rights under, a defined benefits arrangement relating to the member under the pension scheme (or such an arrangement is established), and
  - (b) member money purchase funds are subject to a relevant transfer if they are transferred so as to become held for the purposes of, or to represent rights under, a defined benefits arrangement relating to the member under any other registered pension scheme.
- (12) In sub-paragraphs (9) and (10) “relevant defined benefits arrangement” means—
- (a) the defined benefits arrangement mentioned in paragraph (a) or (b) of sub-paragraph (11), or
  - (b) any other defined benefits arrangement relating to the member (under the pension scheme or any other registered pension scheme) in the case of which any of the sums or assets held for the purposes of, or representing accrued rights under, the arrangement directly or indirectly represent sums or assets previously held for the purposes of, or representing accrued rights under, the defined benefits arrangement so mentioned.]

#### Textual Amendments

- F1289** Words in Sch. 29 para. 3(1)(a) substituted (with effect in accordance with Sch. 16 paras. 85, 101 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 79(3)(a)**
- F1290** Words in Sch. 29 para. 3(4) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), **Sch. 10 paras. 30(2)**, 64(1)
- F1291** Words in [Sch. 29 para. 3\(4\)](#) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), **Sch. 4 para. 14(2)**
- F1292** Sch. 29 para. 3(4A) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), **Sch. 10 paras. 30(3)**, 64(1)
- F1293** [Sch. 29 para. 3\(4B\)](#) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), **Sch. 4 para. 14(3)**
- F1294** Sch. 29 para. 3(5) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), **Sch. 10 paras. 35(2)**, 64(1)
- F1295** Words in [Sch. 29 para. 3\(5\)](#) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), **Sch. 4 para. 14(4)**
- F1296** Words in Sch. 29 para. 3(5)(a) substituted (with effect in accordance with Sch. 16 paras. 85, 101 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 79(3)(b)**
- F1297** Words in Sch. 29 para. 3(5)(a) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 22**
- F1298** Words in Sch. 29 para. 3(6) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), **Sch. 23 para. 22(2)**
- F1299** Words in Sch. 29 para. 3(7) substituted (with effect in accordance with Sch. 16 paras. 85, 101 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 26**
- F1300** Sch. 29 para. 3(7A)-(7C) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), **Sch. 23 para. 22(3)**
- F1301** Words in Sch. 29 para. 3(8) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), **Sch. 23 para. 22(4)(a)**
- F1302** Word in Sch. 29 para. 3(8) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), **Sch. 10 paras. 24**, 64(1)
- F1303** Words in Sch. 29 para. 3(8)(a) substituted (with effect in accordance with Sch. 16 paras. 85, 101 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 79(3)(c)**
- F1304** Words in Sch. 29 para. 3(8)(a) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 22**
- F1305** Words in Sch. 29 para. 3(8) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), **Sch. 23 para. 22(4)(b)**
- F1306** Sch. 29 para. 3(8A)(8B) inserted (19.3.2014) by [Finance Act 2014 \(c. 26\)](#), **Sch. 5 paras. 4**, 15
- F1307** Sch. 29 para. 3(9)-(12) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), **Sch. 23 para. 22(5)**

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#### Modifications etc. (not altering text)

**C219** Sch. 29 para. 3(4A)(4B) applied by 2003 c. 1, s. 646B(7) (as inserted (with effect in accordance with Sch. 4 para. 17(2) of the amending Act) by [Finance Act 2015 \(c. 11\)](#), [Sch. 4 para. 17\(1\)](#))

<sup>F1308</sup>3(1) Where this paragraph applies in relation to a pension commencement lump sum paid to the member, the pension scheme is to be treated as making to the member an unauthorised payment of the appropriate amount.

(2) Subject to <sup>F1309</sup>sub-paragraphs (3) to (4A)], this paragraph applies in relation to a pension commencement lump sum if—

- (a) because of the lump sum, the amount of the contributions paid by or on behalf of, or in respect of, the member to the pension scheme, or to any other registered pension scheme, is significantly greater than it otherwise would be, and
- (b) the member envisaged at the relevant time that that would be so.

(3) This paragraph does not apply in relation to any lump sum paid to the member on any day if the amount of the lump sum, when added to any other pension commencement lump sum paid to the member within the period of 12 months ending with that day, does not exceed <sup>F1310</sup>£7,500].

(4) This paragraph does not apply if the amount by which the contributions paid as mentioned in sub-paragraph (2)(a) is greater than it otherwise would be because of the lump sum does not exceed 30% of the amount of the lump sum.

[ This paragraph does not apply if—

- <sup>F1311</sup>(4A) (a) the member has reached the age of 75 when the contributions are paid as mentioned in sub-paragraph (2)(a), and
- (b) the contributions are not paid by an employer of the member.]

<sup>F1312</sup>(5) The appropriate amount” is—

- (a) where the member becomes entitled to the lump sum before reaching the age of 75, so much of the amount crystallised by the benefit crystallisation event constituted by its payment (or the amount that would have been so crystallised but for paragraph 15A of Schedule 32) as does not exceed the amount of the member's lifetime allowance which is available on it;
- (b) where the member becomes entitled to the lump sum after reaching that age, the amount of the lump sum.]

(6) “The relevant time” is—

- (a) if paragraph (a) of sub-paragraph (2) is satisfied before the lump sum is paid, the time when that paragraph is first satisfied, and
- (b) otherwise, the time when the lump sum is paid.]

#### Textual Amendments

**F1308**Sch. 29 para. 3A inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), [s. 159\(1\)\(2\)](#)

**F1309**Words in Sch. 29 para. 3A(2) substituted (with effect in accordance with Sch. 16 paras. 85, 102 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 27\(2\)](#)

**F1310**Sum in Sch. 29 para. 3A(3) substituted (17.12.2014) (with effect in accordance with Sch. 1 para. 70(2) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 70\(1\)](#)

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**F1311** Sch. 29 para. 3A(4A) inserted (with effect in accordance with Sch. 16 paras. 85, 102 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 27\(3\)](#)

**F1312** Sch. 29 para. 3A(5) substituted (with effect in accordance with Sch. 16 paras. 85, 102 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 27\(4\)](#)

**Modifications etc. (not altering text)**

**C220** Sch. 29 para. 3A excluded (N.I.) (1.4.2015) by [The Teachers Pension Scheme Regulations \(Northern Ireland\) 2014 \(S.R. 2014/310\)](#), regs. 1, [167\(1\)](#)

**C221** Sch. 29 para. 3A excluded (E.W.) (1.4.2015) by [The Teachers' Pension Scheme Regulations 2014 \(S.I. 2014/512\)](#), [reg. 167\(1\)](#) (with reg. 183)

*Serious ill-health lump sum*

4 (1) For the purposes of this Part a lump sum is a serious ill-health lump sum if—  
(a) before it is paid the scheme administrator has received evidence from a registered medical practitioner that the member is expected to live for less than one year,

(b) it is paid when all or part of the member's lifetime allowance is available, <sup>F1313</sup>and]

<sup>F1314</sup>(ca) either—

(i) it is paid in respect of an uncrystallised arrangement, and it extinguishes the member's entitlement to benefits under the arrangement, or

(ii) it is paid in respect of uncrystallised rights of the member under an arrangement other than an uncrystallised arrangement, and it extinguishes the member's uncrystallised rights under the arrangement.]

<sup>F1315</sup>(e) .....

(2) An uncrystallised arrangement is an arrangement in respect of which there has been no previous benefit crystallisation event.

<sup>F1316</sup>(2A) In subsection (1)(ca)(ii) “uncrystallised rights”, in relation to the member, means rights of the member that are uncrystallised rights as defined by section 212(1) and (2).]

<sup>F1317</sup>(3) For the purposes of sub-paragraph (2)—

(a) the fact that benefit crystallisation event 5 or benefit crystallisation event 5B has occurred in relation to the member is to be disregarded, and

(b) anything which, but for paragraph 2 of Schedule 32, would have been a benefit crystallisation event is to be treated as if it were such an event.]

**Textual Amendments**

**F1313** Word in Sch. 29 para. 4(1)(b) inserted (with effect in accordance with Sch. 5 para. 4 of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [Sch. 5 para. 1\(4\)\(a\)](#)

**F1314** Sch. 29 para. 4(1)(ca) substituted for Sch. 29 para. 4(1)(c)(d) (with effect in accordance with Sch. 5 para. 4 of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [Sch. 5 para. 1\(4\)\(b\)](#)

**F1315** Sch. 29 para. 4(1)(e) and word omitted (with effect in accordance with Sch. 16 paras. 85, 102 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 28\(2\)\(b\)](#)

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**F1316** Sch. 29 para. 4(2A) inserted (with effect in accordance with Sch. 5 para. 4 of the amending Act) by [Finance Act 2016 \(c. 24\)](#), **Sch. 5 para. 1(5)**

**F1317** Sch. 29 para. 4(3) inserted (with effect in accordance with Sch. 16 paras. 85, 102 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 28(3)**

**Modifications etc. (not altering text)**

**C222** Sch. 29 para. 4(1) modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), **Sch. 3 Pt. 1**

**C223** Sch. 29 para. 4(2) modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), **33(1)-(3)**

*<sup>F1318</sup>Uncrystallised funds pension lump sum*

**Textual Amendments**

**F1318** Sch. 29 para. 4A and cross-heading inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 57**

- 4A (1) For the purposes of this Part a lump sum is an uncrystallised funds pension lump sum if—
- (a) it is paid on or after 6 April 2015 in respect of a money purchase arrangement,
  - (b) it is paid when all or part of the member's lifetime allowance is available,
  - (c) it is paid when the member has reached normal minimum pension age (or the ill-health condition is met),
  - (d) it is not a pension commencement lump sum,
  - (e) it is not a lump sum that, for the purposes of Part 9 of ITEPA 2003 (pension income), is treated by regulations under section 164(1)(f) and (2) as a trivial commutation lump sum paid to the member,
  - (f) immediately before the member becomes entitled to it, the sums or assets that are to be used to provide it—
    - (i) represent rights of the member under the scheme that are uncrystallised rights as defined by section 212(1) and (2), but
    - (ii) do not to any extent represent rights attributable to a disqualifying pension credit, and
  - (g) none of sub-paragraphs (3) to (5) applies to the member.
- (2) But if a lump sum falling within sub-paragraph (1)—
- (a) is paid when the member has not reached the age of 75, and
  - (b) exceeds the member's available lifetime allowance,
- the excess is not an uncrystallised funds pension lump sum.
- (3) This sub-paragraph applies to the member if—
- (a) paragraph 12 of Schedule 36 applies to the member (enhanced protection from 6 April 2006) immediately before the sum is paid, and
  - (b) the lump sum condition (see paragraphs 24(2) and (3), 25 and 26 of Schedule 36) is met in relation to the member.
- (4) This sub-paragraph applies to the member if—

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- (a) paragraph 7 of Schedule 36 makes provision for the operation of a lifetime allowance enhancement factor in relation to the member immediately before the sum is paid, and
  - (b) the lump sum condition (see paragraphs 24(2) and (3), 25 and 26 of Schedule 36) is met in relation to the member.
- (5) This sub-paragraph applies to the member if—
- (a) any of the provisions listed in sub-paragraph (6) makes provision for the operation of a lifetime allowance enhancement factor in relation to the member immediately before the sum is paid, and
  - (b) immediately before the sum is paid, the available portion of the member's lump sum allowance for the purposes of paragraph 2 of Schedule 29 is nil or less than 25% of the sum.
- (6) The listed provisions are—
- (a) paragraph 7 of Schedule 36 (primary protection);
  - (b) section 220 (pension credits from previously crystallised rights);
  - (c) section 221 (non-residence arrangements);
  - (d) section 224 (transfers from recognised overseas pensions schemes);
  - (e) paragraph 18 of Schedule 36 (pre-commencement pension credits).
- (7) In sub-paragraph (1)(f) “disqualifying pension credit” is to be read in accordance with paragraph 2(3) and (4).]

*Short service refund lump sum*

- 5 (1) For the purposes of this Part a lump sum is a short service refund lump sum if—
- (a) the pension scheme is an occupational pension scheme,
  - (b) the member's pensionable service was terminated before normal pension age but the member is not entitled to short service benefit by virtue of section 71 of the Pension Schemes Act 1993 (c. 48) (basic principle as to short service benefit),
  - (c) there has been no previous benefit crystallisation event in relation to the member and the pension scheme,
  - (d) it extinguishes the member's entitlement to benefits under the pension scheme [<sup>F1319</sup>(except to the extent that it is prohibited from being extinguished by the payment of a lump sum by reason of the operation of provision made by or under any enactment)], and
  - (e) it is paid when the member has not reached the age of 75.
- (2) But if a lump sum falling within sub-paragraph (1) exceeds an amount equal to the aggregate of the member's contributions under the pension scheme, the excess is not a short service refund lump sum.

- [<sup>F1320</sup>(2A) In sub-paragraph (2) the reference to the member's contributions includes—
- (a) any amount paid under section 7 of the Social Security Act 1986 (incentive payments to schemes becoming contracted-out between 1986 and 1993),
  - (b) any amount paid by the Commissioners for Her Majesty's Revenue and Customs under section 42A(3) of the Pension Schemes Act 1993 or section 38A(3) of the Pension Schemes (Northern Ireland) Act 1993 (rebates), and

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- (c) any amount recovered by the member's employer under regulations falling within sub-paragraph (2B) in respect of minimum payments made to the scheme in relation to any period before 6 April 2012.
- (2B) Those regulations are regulations which were made under—
- (a) section 8(3) of the Pension Schemes Act 1993 (recovery of minimum payments), or
  - (b) section 4(3) of the Pension Schemes (Northern Ireland) Act 1993 (corresponding provision for Northern Ireland).]
- (3) “Pensionable service”, “normal pension age” and “short service benefit” have the same meaning as in the Pension Schemes Act 1993 (see section 181 (1) of that Act).

#### Textual Amendments

**F1319** Words in Sch. 29 para. 5(1)(d) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 161\(2\), Sch. 23 para. 27](#)

**F1320** Sch. 29 para. 5(2A)(2B) inserted (retrospective to 6.4.2013) by [Finance Act 2013 \(c. 29\), s. 52\(8\)\(10\)](#)

#### *Refund of excess contributions lump sum*

- 6 (1) A lump sum is a refund of excess contributions lump sum if—
- (a) it is paid in respect of a tax year in which the excess contributions condition is met in respect of the member, and
  - (b) it is paid before the end of the period of six years beginning with the last day of the tax year in respect of which it is paid.
- (2) But if a lump sum falling within sub-paragraph (1) exceeds the member’s available excess contributions allowance for the tax year in respect of which it is paid, the excess is not a refund of excess contributions lump sum.
- (3) The excess contributions condition is met in respect of a member and a tax year if the amount of relievable pension contributions (see section 188(2) and (3)) paid in respect of the member in the tax year exceeds the maximum amount of relief to which the member is entitled for the tax year under section 190 (annual limit for relief).
- (4) If no refund of excess contributions lump sum has been paid to the member in respect of a tax year (by any registered pension scheme), the available excess contributions allowance for that tax year is [<sup>F1321</sup>(subject to sub-paragraph (7))]

### RPC – MAR

- (5) If one or more refund of excess contributions lump sums have been paid to the member in respect of a tax year, the available excess contributions allowance for that tax year is [<sup>F1322</sup>(subject to sub-paragraph (7))]

### RPC – MAR – ALS

or, if the amount resulting from that calculation is negative, is nil.

- (6) In this paragraph—



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RPC is the amount of the relievable pension contributions paid in respect of the member in the tax year,

MAR is the maximum amount of relief to which the member is entitled for the tax year under section 190, and

ALS is the aggregate of the refund of excess contributions lump sums previously paid to the member in respect of the tax year.

[<sup>F1323</sup>(7) If any relief given in accordance with section 192(1) in relation to any contribution included in RPC is in excess of the maximum amount of relief to which the member is entitled under section 190, RPC is to be taken to be reduced by the amount of that excess.]

#### Textual Amendments

**F1321** Words in Sch. 29 para. 6(4) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 161\(2\), Sch. 23 para. 28\(2\)](#)

**F1322** Words in Sch. 29 para. 6(5) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 161\(2\), Sch. 23 para. 28\(2\)](#)

**F1323** Sch. 29 para. 6(7) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 161\(2\), Sch. 23 para. 28\(3\)](#)

#### *Trivial commutation lump sum*

- 7 (1) For the purposes of this Part a lump sum is a trivial commutation lump sum if—
- (a) it is paid when no trivial commutation lump sum has previously been paid to the member (by any registered pension scheme) or, if such a lump sum has previously been paid, before the end of the commutation period,
  - [<sup>F1324</sup>(aa) it is paid in respect of a defined benefits arrangement, [<sup>F1325</sup>or in respect of a scheme pension payable by the scheme administrator to which the member has become entitled under a money purchase arrangement (an “in-payment money-purchase in-house scheme pension”), or partly in respect of the former and partly in respect of the latter,]]
  - (b) on the nominated date, the value of the member’s pension rights does not exceed the commutation limit,
  - (c) it is paid when all or part of the member’s lifetime allowance is available,
  - (d) it extinguishes [<sup>F1326</sup>any entitlement to defined benefits [<sup>F1327</sup>, and any entitlement to payments of in-payment money-purchase in-house scheme pensions,] that the member has] under the pension scheme, and
  - (e) it is paid when the member has reached [<sup>F1328</sup>normal minimum pension age (or the ill-health condition is met)]<sup>F1329</sup> ....
- (2) The commutation period is the period beginning with the day on which a trivial commutation lump sum is first paid to the member and ending 12 months after that day.
- (3) The nominated date is the day within the period of three months ending with the first day of the commutation period nominated by the member (or, if no date is nominated, is the first day of the commutation period).
- (4) The commutation limit is [<sup>F1330</sup>£30,000].

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[<sup>F1331</sup>(4A) The Treasury may by order substitute for the amount for the time being specified in sub-paragraph (4) such larger amount as is specified in the order.]

- (5) The value of the member’s pension rights on the nominated date is the aggregate of—
- (a) the value of the member’s relevant crystallised pension rights on that date (calculated in accordance with paragraph 8), and
  - (b) the value of the member’s uncrystallised rights on that date (calculated in accordance with paragraph 9).

#### Textual Amendments

- F1324**Sch. 29 para. 7(1)(aa) inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 71(2) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 71(1)(a)**
- F1325**Words in [Sch. 29 para. 7\(1\)\(aa\)](#) inserted (with effect in accordance with Sch. 5 para. 9 of the amending Act) by [Finance Act 2016 \(c. 24\)](#), **Sch. 5 para. 7(2)**
- F1326**Words in [Sch. 29 para. 7\(1\)\(d\)](#) substituted (17.12.2014) (with effect in accordance with Sch. 1 para. 71(2) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 71(1)(b)**
- F1327**Words in [Sch. 29 para. 7\(1\)\(d\)](#) inserted (with effect in accordance with Sch. 5 para. 9 of the amending Act) by [Finance Act 2016 \(c. 24\)](#), **Sch. 5 para. 7(3)**
- F1328**Words in [Sch. 29 para. 7\(1\)\(e\)](#) substituted (17.12.2014) (with effect in accordance with Sch. 1 para. 71(2) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 71(1)(c)**
- F1329**Words in [Sch. 29 para. 7\(1\)\(e\)](#) omitted (with effect in accordance with Sch. 16 paras. 85, 102 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 29**
- F1330**Sum in [Sch. 29 para. 7\(4\)](#) substituted (with effect in accordance with s. 42(8) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), **s. 42(1)**
- F1331**[Sch. 29 para. 7\(4A\)](#) inserted (with effect in accordance with Sch. 18 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 18 para. 4(3)**

- 8 (1) The value of the member’s relevant crystallised pension rights on the nominated date is the aggregate of—
- (a) the value of the member’s relevant crystallised pension rights on 5th April 2006, calculated in accordance with paragraph 10 of Schedule 36 (as if the member were the individual mentioned there)<sup>F1332</sup> ..., and
  - (b) the aggregate of the amounts crystallised on benefit crystallisation events in the period beginning with 6th April 2006 and ending with the nominated date<sup>F1333</sup> ....

<sup>F1334</sup>(2) .....

<sup>F1334</sup>(3) .....

#### Textual Amendments

- F1332**Words in [Sch. 29 para. 8\(1\)\(a\)](#) omitted (with effect in accordance with s. 42(8) of the amending Act) by virtue of [Finance Act 2014 \(c. 26\)](#), **s. 42(2)(a)**
- F1333**Words in [Sch. 29 para. 8\(1\)\(b\)](#) omitted (with effect in accordance with s. 42(8) of the amending Act) by virtue of [Finance Act 2014 \(c. 26\)](#), **s. 42(2)(b)**
- F1334**[Sch. 29 para. 8\(2\)\(3\)](#) omitted (with effect in accordance with s. 42(8) of the amending Act) by virtue of [Finance Act 2014 \(c. 26\)](#), **s. 42(2)(c)**

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- 9 (1) The value of the member's uncrystallised rights on the nominated date is the aggregate value of the member's uncrystallised rights on that date under each arrangement relating to the member under a registered pension scheme.
- (2) The value on the nominated date of the member's uncrystallised rights under such an arrangement is to be calculated in accordance with section 212 (valuation of uncrystallised rights for purposes of section 210).

*Winding-up lump sum*

- 10 (1) For the purposes of this Part a lump sum is a winding-up lump sum if—
- (a) the pension scheme is an occupational pension scheme,
  - (b) the pension scheme is being wound-up,
  - (c) [<sup>F1335</sup>any person by whom the member is employed at the time when the lump sum is paid, and who has made contributions under the pension scheme in respect of the member within the period of five years ending with the day on which it is paid,] meets the conditions in sub-paragraph (3),
  - (d) it is paid when all or part of the member's lifetime allowance is available, [<sup>F1336</sup>and]
  - (e) it extinguishes the member's entitlement to benefits under the pension scheme, <sup>F1337</sup> ...
  - <sup>F1337</sup>(f) .....
- (2) But if a lump sum falling within sub-paragraph (1) exceeds [<sup>F1338</sup>£18,000,] the excess is not a winding-up lump sum.
- <sup>F1339</sup>(2A) The Treasury may by order substitute for the amount for the time being specified in sub-paragraph (2) such larger amount as is specified in the order.]
- (3) The conditions [<sup>F1340</sup>referred to in paragraph (c) of sub-paragraph (1) are that the person mentioned in that paragraph] —
- <sup>F1341</sup>(a) .....
  - (b) is not making contributions under any other registered pension scheme in respect of the member, and
  - (c) undertakes to the Inland Revenue not to make such contributions during the period of one year beginning with the day on which the lump sum is paid.

**Textual Amendments**

**F1335**Words in Sch. 29 para. 10(1)(c) substituted (19.7.2007) (with effect in accordance with Sch. 20 para. 24(6) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), [Sch. 20 para. 12\(2\)](#)

**F1336**Word in Sch. 29 para. 10(1)(d) inserted (with effect in accordance with Sch. 16 paras. 85, 102 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 30\(a\)](#)

**F1337**Sch. 29 para. 10(1)(f) and word omitted (with effect in accordance with Sch. 16 paras. 85, 102 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 30\(b\)](#)

**F1338**Word in Sch. 29 para. 10(2) substituted (with effect in accordance with Sch. 18 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 18 para. 5\(2\)](#)

**F1339**Sch. 29 para. 10(2A) inserted (with effect in accordance with Sch. 18 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 18 para. 5\(3\)](#)

**F1340**Words in Sch. 29 para. 10(3) substituted (19.7.2007) (with effect in accordance with Sch. 20 para. 24(6) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), [Sch. 20 para. 12\(3\)\(a\)](#)

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**F1341** Sch. 29 para. 10(3)(a) repealed (19.7.2007) (with effect in accordance with Sch. 20 para. 24(6) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), [Sch. 20 para. 12\(3\)\(b\)](#), [Sch. 27 Pt. 3\(2\)](#)

*Lifetime allowance excess lump sum*

- 11 For the purposes of this Part a lump sum is a lifetime allowance excess lump sum if—
- (a) it is paid when none of the member’s lifetime allowance is available,
  - (b) it is not a short service refund lump sum or a refund of excess contributions lump sum,
  - (c) it does not reduce the rate of payment of any pension to which the member has become (actually) entitled, or extinguish the member’s entitlement to payment of any such pension,
  - (d) it is paid when the member has reached normal minimum pension age (or the ill-health condition is met), and
  - (e) it is paid when the member has not reached the age of 75.

*<sup>F1342</sup>Transitional 2013/14 lump sum, and its related trivial commutation lump sum*

**Textual Amendments**

**F1342** Sch. 29 para. 11A and cross-heading inserted (19.3.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 5 paras. 5\(2\), 15](#)

- 11A (1) A lump sum is a transitional 2013/14 lump sum for the purposes of this Part if—
- (a) the sum (“the earlier sum”) is paid to the member in connection with a pension under a registered pension scheme to which it is expected that the member will become entitled (“the expected pension”),
  - (b) the earlier sum is paid before the member becomes entitled to the expected pension,
  - (c) either—
    - (i) the earlier sum is paid on or after 19 September 2013 but before 27 March 2014, or
    - (ii) the earlier sum is paid before 19 September 2013, a contract for a lifetime annuity is entered into to provide the expected pension, and on or after 19 March 2014 the contract is cancelled,
  - (d) all of the sums and assets for the time being representing the sums and assets that when the earlier sum was paid were held for the purpose of providing the expected pension are, before the member becomes entitled to the expected pension, used in paying a further lump sum to the member (“the further sum”),
  - (e) the further sum is paid on or after 6 July 2014 but before 6 April 2015, and
  - (f) the further sum is a trivial commutation lump sum (see sub-paragraph (2)).
- (2) Sub-paragraph (4) applies when deciding under paragraph 7 whether the further sum is a trivial commutation lump sum in a case where the earlier sum is paid before the nominated date (see paragraph 7(3) for the meaning of “the nominated date”).
- (3) If the earlier sum is a transitional 2013/14 lump sum, and the earlier sum and the further sum are not the only lump sums paid under registered pension schemes to the

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member, sub-paragraph (4) applies when deciding under paragraph 7 whether any other lump sum paid under a registered pension scheme to the member is a trivial commutation lump sum.

- (4) If this sub-paragraph applies, the payment of the earlier sum is to be treated for the purposes of paragraph 8(1)(b) as a benefit crystallisation event—
  - (a) which occurs when the earlier sum is paid, and
  - (b) on which the amount crystallised is the amount of the earlier sum.
- (5) If the earlier sum is a transitional 2013/14 lump sum, and only the sums and assets mentioned in sub-paragraph (1)(d) are used in paying the further sum, section 636B of ITEPA 2003 applies in relation to the further sum with the omission of its subsection (3).
- (6) If the earlier sum is a transitional 2013/14 lump sum, and the sums and assets mentioned in sub-paragraph (1)(d) are used together with other sums and assets in paying the further sum—
  - (a) section 636B of ITEPA 2003 applies in relation to the further sum as if instead of the further sum there were two separate trivial commutation lump sums as follows—
    - (i) one (“the first part of the further sum”) consisting of so much of the further sum as is attributable to the sums and assets mentioned in sub-paragraph (1)(d), and
    - (ii) another consisting of the remainder of the further sum,
  - (b) the first part of the further sum is to be treated for the purposes of section 636B of ITEPA 2003 as having been paid immediately before the remainder of the further sum,
  - (c) section 636B of ITEPA 2003 applies in relation to the first part of the further sum with the omission of its subsection (3), and
  - (d) for the purposes of applying section 636B(3) of ITEPA 2003 in relation to the remainder of the further sum, the rights to which the first part of the further sum relates are to be treated as rights that are not uncrystallised rights immediately before the remainder of the further sum is paid.
- (7) For the purposes of sub-paragraph (1), if the circumstances are as described in sub-paragraph (1)(c)(ii), the member is treated as not having become entitled to the expected pension as a result of the cancelled contract having been entered into.]

#### *Interpretation of Part 1*

- 12 (1) Expressions used in this Part of this Schedule and in Schedule 28 have the same meaning in this Part of this Schedule as in Schedule 28.
- [<sup>F1343</sup>(1A) For the purposes of determining whether all or part of the member's lifetime allowance is available—
  - (a) the fact that benefit crystallisation event 5 or benefit crystallisation event 5B has occurred in relation to the member is to be disregarded, and
  - (b) anything which, but for paragraph 2 or 15A of Schedule 32, would have been a benefit crystallisation event is to be treated as if it were such an event.]
- (2) Where all or part of the member's lifetime allowance is available immediately before a lump sum is paid, sub-paragraph (3) applies to the lump sum if—
  - (a) its amount exceeds the member's available lifetime allowance, and

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- (b) but for that fact, it would satisfy all the requirements of paragraph 1(1), 4(1), [F1344 4A(1),] 7(1) or 10(1).
- (3) For the purposes of this Schedule, the whole of the lump sum (and not only so much of it as does not exceed the member’s available lifetime allowance) is to be treated as paid when all or part of the member’s lifetime allowance is available.
- (4) But sub-paragraph (3) does not apply—
- (a) in the case of a lump sum that would satisfy all the requirements of paragraph 1(1), to so much of it as would be prevented from being a pension commencement lump sum by paragraph 1(2),
- [F1345(aa) in the case of a lump sum that would satisfy all the requirements of paragraph 4A(1) and is paid when the member has not reached the age of 75, to so much of it as would be prevented from being an uncrystallised funds pension lump sum by paragraph 4A(2),] and
- (b) in the case of a lump sum that would satisfy all the requirements of paragraph 10(1), to so much of it as would be prevented from being a winding-up lump sum by paragraph 10(2).
- (5) Where by virtue of paragraph 1(2), [F1346 4A(2),] 5(2), 6(2) or 10(2) an excess is not an authorised lump sum of one description, that does not prevent the excess being an authorised lump sum of another description.
- (6) “Authorised lump sum” means a lump sum authorised to be paid by the lump sum rule.

#### Textual Amendments

**F1343**Sch. 29 para. 12(1A) inserted (with effect in accordance with Sch. 16 paras. 85, 101 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 31**

**F1344**Word in Sch. 29 para. 12(2)(b) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 58**

**F1345**Sch. 29 para. 12(4)(aa) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 59**

**F1346**Word in Sch. 29 para. 12(5) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 60**

## PART 2

### LUMP SUM DEATH BENEFIT RULE

#### Modifications etc. (not altering text)

**C224** Sch. 29 Pt. 2 applied (with modifications) (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, 14

**C225** Sch. 29 Pt. 2 modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), 6, 8(1)(3)

*Defined benefits arrangements*  
*Defined benefits lump sum death benefit*

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1<sup>F1347</sup>(1) For the purposes of this Part a lump sum death benefit is a defined benefits lump sum death benefit if—

- <sup>F1348</sup>(a) .....
- (b) it is paid in respect of a defined benefits arrangement,
- <sup>F1349</sup>(c) ..... and
- (d) it is not a pension protection lump sum death benefit, trivial commutation lump sum death benefit or winding-up lump sum death benefit.

<sup>F1350</sup> ...

<sup>F1351</sup>(2) .....

#### Textual Amendments

**F1347**Sch. 29 para. 13 renumbered as Sch. 29 para. 13(1) (with effect in accordance with Sch. 16 paras. 85, 103 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 33\(2\)](#)

**F1348**Sch. 29 para. 13(1)(a) 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. 33\(3\)\(a\)](#)

**F1349**Sch. 29 para. 13(1)(c) 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. 33\(3\)\(b\)](#)

**F1350**Words in [Sch. 29 para. 13\(1\)](#) omitted (with effect in accordance with s. 21(10) of the amending Act) by virtue of [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [s. 21\(8\)\(a\)](#)

**F1351**[Sch. 29 para. 13\(2\)](#) omitted (with effect in accordance with s. 21(10) of the amending Act) by virtue of [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [s. 21\(8\)\(b\)](#)

#### *Pension protection lump sum death benefit*

14 (1) For the purposes of this Part a lump sum death benefit is a pension protection lump sum death benefit if—

- <sup>F1352</sup>(a) .....
- (b) it is paid in respect of a defined benefits arrangement,
- (c) it is paid in respect of a scheme pension to which the member was entitled at the date of the member's death, and
- (d) the member has specified that it is to be treated as a pension protection lump sum death benefit (instead of a defined benefits lump sum death benefit).

(2) But if the amount of a lump sum falling within sub-paragraph (1) exceeds the pension protection limit, the excess is not a pension protection lump sum death benefit.

(3) The pension protection limit is—

## AC – AP – TPLS

where—

<sup>F1353</sup>AC is—

- (a) in a case where the member became entitled to the pension before reaching the age of 75, the amount crystallised by reason of the member becoming entitled to the pension, and
- (b) in a case where the member became entitled to the pension after having reached that age, the amount that would have been so crystallised but for paragraph 2 of Schedule 32,]

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AP is the amount of the pension paid in respect of the period between the member becoming entitled to the pension and the member's death, and

TPLS is the total amount of pension protection lump sum death benefit previously paid in respect of the pension under this paragraph.

#### Textual Amendments

**F1352** Sch. 29 para. 14(1)(a) 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. 34\(2\)](#)

**F1353** Words in Sch. 29 para. 14(3) substituted (with effect in accordance with Sch. 16 paras. 85, 103 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 34\(3\)](#)

#### Modifications etc. (not altering text)

**C226** Sch. 29 para. 14(3) modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), [33\(1\)\(2\)\(4\)](#)

### *Money purchase arrangements*

#### *Uncrystallised funds lump sum death benefit*

15 (1) For the purposes of this Part a lump sum death benefit is an uncrystallised funds lump sum death benefit if—

- <sup>F1354</sup>(a) .....
- (b) it is paid in respect of a money purchase arrangement,
- <sup>F1355</sup>(c) .....
- (d) it is paid in respect of relevant uncrystallised funds<sup>F1356</sup>, and
- (e) it is not a charity lump sum death benefit.]

<sup>F1357</sup> .....

<sup>F1358</sup>(1A) .....

(2) “Relevant uncrystallised funds” means such of the sums and assets held for the purposes of the arrangement at the member's death as—

- (a) had not been applied for purchasing a scheme pension, a lifetime annuity, [<sup>F1359</sup>a nominees' annuity,] a dependants' scheme pension or a dependants' annuity, and
- (b) had not been designated under the arrangement as available for the payment of [<sup>F1360</sup>drawdown pension].

<sup>F1361</sup>(2A) Where—

- (a) the arrangement is a cash balance arrangement,
- (b) under the arrangement, a dependant of the member is entitled to be paid after the member's death an amount by way of a lump sum,
- (c) the dependant's entitlement to a lump sum of that amount under the arrangement comes into being at a time no later than the member's death,
- (d) such of the sums and assets held for the purposes of the arrangement immediately after the member's death as are held for the purpose of meeting the liability to pay the lump sum are insufficient for that purpose (including where that is because none are held for that purpose), and



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- (e) a person who was an employer in relation to the member pays a contribution to the scheme—
  - (i) for or towards making good that insufficiency, and
  - (ii) of no more than is needed for making good the insufficiency,the sums and assets held for the purposes of the arrangement that represent the contribution are to be treated as “relevant uncrystallised funds” for the purposes of this paragraph.]
- (3) But if an amount falling within sub-paragraph (1) exceeds the permitted maximum, the excess is not an uncrystallised funds lump sum death benefit.
- (4) The permitted maximum is the aggregate of—
  - (a) the amount of the sums, and
  - (b) the market value of the assets,which constitute the relevant uncrystallised funds immediately before the payment is made.

#### Textual Amendments

- F1354**Sch. 29 para. 15(1)(a) 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. 35\(2\)\(a\)](#)
- F1355**Sch. 29 para. 15(1)(c) 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. 35\(2\)\(a\)](#)
- F1356**Sch. 29 para. 15(1)(e) and word inserted (with effect in accordance with Sch. 16 paras. 85, 103 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 35\(2\)\(b\)](#)
- F1357**Words in Sch. 29 para. 15(1) omitted (17.12.2014) (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\(1\)\(a\)](#)
- F1358**Sch. 29 para. 15(1A) omitted (17.12.2014) (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\(1\)\(b\)](#)
- F1359**Words in Sch. 29 para. 15(2)(a) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 4 para. 15](#)
- F1360**Words in Sch. 29 para. 15(2)(b) substituted (with effect in accordance with Sch. 16 paras. 85, 103 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 79\(4\)](#)
- F1361**Sch. 29 para. 15(2A) inserted (with effect in accordance with Sch. 5 para. 10(2) of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [Sch. 5 para. 10\(1\)](#)

#### *Annuity protection lump sum death benefit*

- 16 (1) For the purposes of this Part a lump sum death benefit is an annuity protection lump sum death benefit if—
- <sup>F1362</sup>(a) .....
  - (b) it is paid in respect of a money purchase arrangement, and
  - (c) it is paid in respect of a scheme pension or lifetime annuity to which the member was entitled at the date of the member’s death.
- (2) But if the amount of a lump sum falling within sub-paragraph (1) exceeds the annuity protection limit, the excess is not an annuity protection lump sum death benefit.
- (3) The annuity protection limit is—

AC – AP – TPLS

where—

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<sup>F1363</sup> AC is—

- (a) in a case where the member became entitled to the pension or annuity before reaching the age of 75, the amount crystallised by reason of the member becoming entitled to the pension or annuity, disregarding paragraphs 3 and 4 of Schedule 32, and
- (b) in a case where the member became entitled to the pension or annuity after having reached that age, the amount that would have been so crystallised (disregarding those paragraphs) but for paragraph 2 of that Schedule,]

AP is the amount of the pension paid in respect of the period between the member becoming entitled to the pension or annuity and the member's death, and

TPLS is the total amount of annuity protection lump sum death benefit previously paid in respect of the pension or annuity under this paragraph.

#### Textual Amendments

**F1362** Sch. 29 para. 16(1)(a) 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. 36\(2\)](#)

**F1363** Words in Sch. 29 para. 16(3) substituted (with effect in accordance with Sch. 16 paras. 85, 103 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 36\(3\)](#)

#### Modifications etc. (not altering text)

**C227** Sch. 29 para. 16(3) modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), [33\(1\)\(2\)\(5\)](#)

<sup>F1364</sup> *Drawdown pension fund lump sum death benefit*

#### Textual Amendments

**F1364** Sch. 29 para. 17 cross-heading substituted (with effect in accordance with Sch. 16 paras. 85, 103 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 37\(6\)](#)

17<sup>F1365</sup>(1) For the purposes of this Part a lump sum death benefit is a drawdown pension fund lump sum death benefit if—

- (a) it is paid in respect of income withdrawal to which the member was entitled <sup>F1366</sup>to be paid from the member's drawdown pension fund in respect of] an arrangement at the date of the member's death, and
- (b) it is not a charity lump sum death benefit.]

(2) A lump sum death benefit is also <sup>F1367</sup>a drawdown pension fund lump sum death benefit] if—

- (a) it is paid on the death of a dependant of the member,
- <sup>F1368</sup>(b) . . . . .
- (c) it is paid in respect of dependants' income withdrawal to which the dependant was entitled at the date of the dependant's death <sup>F1369</sup>to be paid from the dependant's drawdown pension fund] in respect of an arrangement relating to the member<sup>F1370</sup>, and
- (d) it is not a charity lump sum death benefit.]

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- (3) But if the amount of a lump sum falling within sub-paragraph (1) or (2) exceeds the permitted maximum, the excess is not [<sup>F1371</sup>a drawdown pension fund lump sum death benefit].
- (4) The permitted maximum is the aggregate of—
- (a) the amount of the sums, and
  - (b) the market value of the assets,
- representing the member's or dependant's [<sup>F1372</sup>drawdown pension fund] in respect of the arrangement immediately before the payment is made.

#### Textual Amendments

- F1365**Sch. 29 para. 17(1) substituted (with effect in accordance with Sch. 16 paras. 85, 103 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 37(2)**
- F1366**Words in Sch. 29 para. 17(1)(a) substituted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 23(a)**
- F1367**Words in Sch. 29 para. 17(2) substituted (with effect in accordance with Sch. 16 paras. 85, 103 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 37(3)(a)**
- F1368**Sch. 29 para. 17(2)(b) 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. 37(3)(b)**
- F1369**Words in Sch. 29 para. 17(2)(c) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 23(b)**
- F1370**Sch. 29 para. 17(2)(d) and word inserted (with effect in accordance with Sch. 16 paras. 85, 103 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 37(3)(c)**
- F1371**Words in Sch. 29 para. 17(3) substituted (with effect in accordance with Sch. 16 paras. 85, 103 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 37(4)**
- F1372**Words in Sch. 29 para. 17(4) substituted (with effect in accordance with Sch. 16 paras. 85, 103 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 37(5)**

#### Modifications etc. (not altering text)

- C228** Sch. 29 para. 17 modified (27.7.2010) by [Finance \(No. 2\) Act 2010 \(c. 31\)](#), **Sch. 3 para. 2(1)(2)(e)** (with [Sch. 2 para. 2\(1\)](#))

<sup>F1373</sup>*Flexi-access drawdown fund lump sum death benefit*

#### Textual Amendments

- F1373**Sch. 29 para. 17A and cross-heading inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 24**

- 17A (1) For the purposes of this Part a lump sum death benefit is a flexi-access drawdown fund lump sum death benefit if—
- (a) it is paid in respect of income withdrawal to which the member was entitled to be paid from the member's flexi-access drawdown fund in respect of an arrangement at the date of the member's death, and
  - (b) it is not a charity lump sum death benefit.
- (2) A lump sum death benefit is also a flexi-access drawdown fund lump sum death benefit if—
- (a) it is paid on the death of a dependant of the member,

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- (b) it is paid in respect of dependants' income withdrawal to which the dependant was at the date of the dependant's death entitled to be paid from the dependant's flexi-access drawdown fund in respect of an arrangement relating to the member, and
  - (c) it is not a charity lump sum death benefit.
- (3) A lump sum death benefit is also a flexi-access drawdown fund lump sum death benefit if—
- (a) it is paid on the death of a nominee of the member,
  - (b) it is paid in respect of nominees' income withdrawal to which the nominee was at the date of the nominee's death entitled to be paid from the nominee's flexi-access drawdown fund in respect of an arrangement relating to the member, and
  - (c) it is not a charity lump sum death benefit.
- (4) A lump sum death benefit is also a flexi-access drawdown fund lump sum death benefit if—
- (a) it is paid on the death of a successor of the member,
  - (b) it is paid in respect of successors' income withdrawal to which the successor was at the date of the successor's death entitled to be paid from the successor's flexi-access drawdown fund in respect of an arrangement relating to the member, and
  - (c) it is not a charity lump sum death benefit.
- (5) But if the amount of a lump sum falling within sub-paragraph (1), (2), (3) or (4) exceeds the permitted maximum, the excess is not a flexi-access drawdown fund lump sum death benefit.
- (6) The permitted maximum is the aggregate of—
- (a) the amount of the sums, and
  - (b) the market value of the assets,
- representing the member's, dependant's, nominee's or successor's flexi-access drawdown fund in respect of the arrangement immediately before the payment is made.]

#### Textual Amendments

**F1373**Sch. 29 para. 17A and cross-heading inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 24](#)

#### *Charity lump sum death benefit*

- 18 (1) A lump sum death benefit is a charity lump sum death benefit if—
- <sup>F1374</sup>(a) . . . . .
  - (b) there are no dependants of the member,
  - (c) it is paid [<sup>F1375</sup>in respect of the member's drawdown pension fund] in respect of an arrangement[<sup>F1376</sup>, or in respect of the member's flexi-access drawdown fund in respect of an arrangement,] at the date of the member's death, and
  - (d) it is paid to a charity nominated by the member <sup>F1377</sup>...
- [<sup>F1378</sup>(1A) A lump sum death benefit is also a charity lump sum death benefit if—
- (a) the member had reached the age of 75 at the date of the member's death,

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- (b) there are no dependants of the member,
- (c) it is paid in respect of relevant uncrystallised funds in respect of a money purchase arrangement at the date of the member's death, and
- (d) it is paid to a charity nominated by the member.

(1B) “Relevant uncrystallised funds” has the meaning given by paragraph 15(2).]

(2) A lump sum death benefit is also a charity lump sum death benefit if—

- (a) it is paid on the death of a dependant of the member,
- <sup>F1379</sup>(b) . . . . .
- (c) there are no other dependants of the member,
- (d) it is paid in respect of [<sup>F1380</sup>the dependant's drawdown pension fund][<sup>F1381</sup>, or the dependant's flexi-access drawdown fund,] at the date of the dependant's death in respect of an arrangement relating to the member, and
- (e) it is paid to a charity nominated by the member [<sup>F1382</sup>or, if the member made no nomination, by the dependant <sup>F1383</sup>... .]

<sup>F1384</sup>(2A) A lump sum death benefit is also a charity lump sum death benefit if—

- (a) it is paid on the death of an individual who is—
  - (i) a nominee of the member, or
  - (ii) a successor of the member,
- (b) there are no dependants of the member,
- (c) it is paid in respect of the individual's nominee's flexi-access drawdown fund or successor's flexi-access drawdown fund at the date of the individual's death in respect of an arrangement relating to the individual in the capacity of a nominee or successor of the member, and
- (d) it is paid to a charity nominated by the member or, if the member made no nomination, by the individual.]

(3) But if the amount of a lump sum falling within sub-paragraph (1)<sup>F1385</sup>, (2) or (2A)] exceeds the permitted maximum, the amount of the excess is not a charity lump sum death benefit.

(4) The permitted maximum is the aggregate of—

- (a) the amount of the sums, and
- (b) the market value of the assets,  
<sup>F1386</sup>representing what is the member's or dependant's drawdown pension fund][<sup>F1387</sup>, or flexi-access drawdown fund,] in respect of the arrangement<sup>F1388</sup>, or the nominee's or successor's flexi-access drawdown fund in respect of the arrangement,] immediately before the payment is made.

#### Textual Amendments

**F1374**Sch. 29 para. 18(1)(a) 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. 38\(2\)\(a\)](#)

**F1375**Words in Sch. 29 para. 18(1)(c) substituted (with effect in accordance with Sch. 16 paras. 85, 103 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 38\(2\)\(b\)](#)

**F1376**Words in Sch. 29 para. 18(1)(c) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 25\(a\)](#)

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- F1377** Words in Sch. 29 para. 18(1)(d) 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. 38\(2\)\(c\)](#)
- F1378** Sch. 29 para. 18(1A)(1B) inserted (with effect in accordance with Sch. 16 paras. 85, 103 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 38\(3\)](#)
- F1379** Sch. 29 para. 18(2)(b) 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. 38\(4\)\(a\)](#)
- F1380** Words in Sch. 29 para. 18(2)(d) substituted (with effect in accordance with Sch. 16 paras. 85, 103 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 38\(4\)\(b\)](#)
- F1381** Words in Sch. 29 para. 18(2)(d) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 25\(b\)](#)
- F1382** Words in Sch. 29 para. 18(2)(e) substituted (19.7.2007 (with effect in accordance with Sch. 19 para. 29(6) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), [Sch. 19 para. 16\(5\)](#)
- F1383** Words in Sch. 29 para. 18(2)(e) 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. 38\(4\)\(c\)](#)
- F1384** Sch. 29 para. 18(2A) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 15\(2\)](#)
- F1385** Words in Sch. 29 para. 18(3) substituted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 15\(3\)](#)
- F1386** Words in Sch. 29 para. 18(4) substituted (with effect in accordance with Sch. 16 paras. 85, 103 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 38\(5\)](#)
- F1387** Words in Sch. 29 para. 18(4) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 25\(c\)](#)
- F1388** Words in Sch. 29 para. 18(4) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 15\(4\)](#)

*Transfer lump sum death benefit*

**F1389** 19 .....

**Textual Amendments**

**F1389** Sch. 29 para. 19 repealed (19.7.2007) (with effect in accordance with Sch. 19 para. 29(3) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), [Sch. 19 para. 9](#), [Sch. 27 Pt. 3\(1\)](#)

*Defined benefits and money purchase arrangements*

*Trivial commutation lump sum death benefit*

20 (1) A lump sum death benefit is a trivial commutation lump sum death benefit [<sup>F1390</sup>if condition A or B is met.]

[<sup>F1391</sup>(1A) Condition A is that the lump sum—

- (a) is paid to a dependant entitled under the pension scheme to pension death benefit in respect of the member, and
- (b) extinguishes the dependant's entitlement under the pension scheme to pension death benefit and lump sum death benefit in respect of the member.

(1B) Condition B is that—

- (a) the lump sum is paid after the member's death to an individual entitled to be paid a pension under the scheme—
  - (i) which the member was entitled to be paid immediately before the member's death, and
  - (ii) which is payable to the individual under pension rule 2 (see section 165),

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- (b) if the pension is an annuity or scheme pension payable by an insurance company, the lump sum extinguishes all entitlements in respect of the member under the contract concerned, and
  - (c) if the pension is a scheme pension payable by the scheme administrator, the lump sum extinguishes all entitlements to receive a scheme pension in respect of the member from the scheme administrator under pension rule 2.]
- (2) But if the amount of a lump sum falling within sub-paragraph (1) exceeds [<sup>F1392</sup>£30,000], the excess is not a trivial commutation lump sum death benefit.
- [<sup>F1393</sup>(3) The Treasury may by order substitute for the amount for the time being specified in sub-paragraph (2) such larger amount as is specified in the order.]

#### Textual Amendments

- F1390** Words in Sch. 29 para. 20(1) substituted (17.12.2014) (with effect in accordance with Sch. 1 para. 74(6) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 74\(2\)](#)
- F1391** Sch. 29 para. 20(1A)(1B) inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 74(6) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 74\(3\)](#)
- F1392** Sum in Sch. 29 para. 20(2) substituted (17.12.2014) (with effect in accordance with Sch. 1 para. 74(6) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 74\(4\)](#)
- F1393** Sch. 29 para. 20(3) inserted (with effect in accordance with Sch. 18 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 18 para. 6\(3\)](#)

<sup>F1394</sup>21 .....

#### Textual Amendments

- F1394** Sch. 29 para. 21 omitted (17.12.2014) by virtue of [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 75\(1\)](#)

### Interpretation

#### Interpretation of Part 2

- 22 (1) Expressions used in this Part of this Schedule and in Schedule 28 have the same meaning in this Part of this Schedule as in Schedule 28.
- (2) Where by virtue of paragraph 14(2), 20(2) or 21(2) an excess is not an authorised lump sum death benefit of one description, that does not prevent the excess being an authorised lump sum death benefit of another description.
- (3) “Authorised lump sum death benefit” means a lump sum death benefit authorised to be paid by the lump sum death benefit rule.

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## [<sup>F1395</sup>SCHEDULE 29A

Section 174A

### TAXABLE PROPERTY HELD BY INVESTMENT-REGULATED PENSION SCHEMES

#### Textual Amendments

**F1395**Sch. 29A inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 158(2), [Sch. 21 para. 13](#)

### PART 1

#### INVESTMENT-REGULATED PENSION SCHEMES

##### *Schemes other than occupational pension schemes*

- 1 (1) For the purposes of the taxable property provisions a registered pension scheme which is not an occupational pension scheme is an investment-regulated pension scheme if one or more of its members meets the condition in sub-paragraph (2).
- (2) The condition is that either—
- (a) the member, or
  - (b) a person related to the member,
- is or has been able (directly or indirectly) to direct, influence or advise on the manner of investment of any of the sums and assets held for the purposes of an arrangement under the pension scheme relating to the member.
- (3) In this Part “the taxable property provisions” means—
- (a) section 173(7A) (exception from benefit charge where taxable property held by investment-regulated pension scheme),
  - (b) section 174A and this Schedule,
  - (c) sections 185A to 185I (income and gains from taxable property),
  - (d) section 273ZA (member liability for scheme sanction charge where pension scheme non-UK resident), and
  - (e) paragraphs 37A to 37I of Schedule 36 (transitional provisions).

##### *Occupational pension schemes*

- 2 (1) For the purposes of the taxable property provisions a registered pension scheme which is an occupational pension scheme is an investment-regulated pension scheme if—
- (a) there are 50 or fewer members of the pension scheme, and one or more of those members meets the condition in sub-paragraph (2), <sup>F1396</sup>...
  - <sup>F1396</sup>(b) .....
- (2) The condition is that either—
- (a) the member, or
  - (b) a person related to the member,
- is or has been able (directly or indirectly) to direct, influence or advise on the manner of investment of any of the sums and assets held for the purposes of the pension scheme.



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### Textual Amendments

F1396 Sch. 29A para. 2(1)(b) and word omitted (retrospective to 6.4.2006) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 29 para. 3\(1\)\(2\)](#)

### *Separate self-controlled section*

- 3 (1) This paragraph applies in the case of an arrangement under a registered pension scheme if—
- (a) the pension scheme is an occupational pension scheme,
  - (b) the pension scheme is not an investment-regulated pension scheme by virtue of paragraph 2, and
  - (c) one or more members of the pension scheme meet the condition in sub-paragraph (2).
- (2) The condition is that either—
- (a) the member, or
  - (b) a person related to the member,
- is or has been able (directly or indirectly) to direct, influence or advise on the manner of investment of any sums or assets which are linked to an arrangement relating to the member.
- (3) For the purposes of sub-paragraph (2) sums or assets are linked to an arrangement relating to a member if—
- (a) they are held for the purposes of an arrangement under the pension scheme relating to the member, but
  - (b) they are not held for the purposes of the arrangement merely by virtue of a just and reasonable apportionment of the sums and assets held for the purposes of the pension scheme.
- (4) Where this paragraph applies the arrangement is to be treated for the purposes of this Part as if it were an investment-regulated pension scheme.
- (5) The Treasury may by regulations—
- (a) amend sub-paragraph (3), and
  - (b) provide for any of the provisions of this Part to apply to the arrangement with modifications.

### *Related persons*

- 4 (1) For the purposes of this Part of this Schedule a person is related to a member of a pension scheme if—
- (a) the person and the member are connected persons, or
  - (b) the person acts on behalf of the member or a person connected with the member.
- [<sup>F1397</sup>(2) For the purposes of sub-paragraph (1) whether a person is connected with another person is determined in accordance with section 993 of ITA 2007.]

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### Textual Amendments

**F1397**Sch. 29A para. 4(2) 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. 484** (with [Sch. 2](#))

### *Arrangements*

- 5 Where sums or assets held for the purposes of an investment-regulated pension scheme—
- (a) are held otherwise than for the purposes of the administration or management of the pension scheme, and
  - (b) would not, apart from this paragraph, be treated as held for the purposes of any arrangement relating to a member under the pension scheme,
- for the purposes of the taxable property provisions the sums or assets are to be treated as held for the purposes of the arrangements under the pension scheme by reference to the respective rights under the scheme of the members to which the arrangements relate.

## PART 2

### TAXABLE PROPERTY

#### *Taxable property*

- 6 For the purposes of the taxable property provisions property is taxable property if—
- (a) it is residential property (see paragraphs 7 to 10), or
  - (b) it is tangible moveable property (but subject to paragraph 11).

#### *Residential property*

- 7 (1) Subject as follows, for the purposes of the taxable property provisions “residential property” means—
- (a) a building that is used or suitable for use as a dwelling,
  - (b) any land consisting of, or forming part of, the garden or grounds of such a building (including a building on any such land) which is used or intended for use for a purpose connected with the enjoyment of the building,
  - (c) hotel or similar accommodation (but see paragraph 14(2)), or
  - (d) a beach hut,
- in the United Kingdom or elsewhere.
- (2) For the purposes of the taxable property provisions “building” includes—
- (a) a structure, and
  - (b) part of a building or structure.
- 8 (1) For the purposes of the taxable property provisions a building used for any of the following purposes is not residential property—
- (a) a home or other institution providing residential accommodation for children;
  - (b) a hall of residence for students;

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- (c) a home or other institution providing residential accommodation with personal care for persons in need of personal care by reason of old age, disability, past or present dependence on alcohol or drugs or past or present mental disorder;
- (d) a hospital or hospice;
- (e) a prison or similar establishment.

(2) Where—

- (a) a building is used for a purpose specified in sub-paragraph (1),
- (b) a building which is not in use was, immediately before it ceased to be in use, used for such a purpose, or
- (c) a building which has never been in use is more suitable for use for such a purpose than for use for any other purpose,

no account is to be taken for the purposes of the taxable property provisions of its suitability for use as a dwelling.

9 (1) The Treasury may by order amend this Part of this Schedule to specify descriptions of buildings which are, or are not, to be treated as residential property.

<sup>F1398</sup>(2) .....

**Textual Amendments**

**F1398**Sch. 29A para. 9(2) omitted (21.7.2009) by virtue of [Finance Act 2009 \(c. 10\), s. 75\(2\)\(e\)](#)

10 (1) Residential property is not taxable property in relation to a pension scheme if Condition A or B is met.

(2) Condition A is met if the property is (or, if unoccupied, is to be) occupied by an employee who—

- (a) is neither a member of the pension scheme nor connected with such a member,
- (b) is not connected with the employer, and
- (c) is required as a condition of employment to occupy the property.

(3) Condition B is met if the property is (or, if unoccupied, is to be)—

- (a) occupied by a person who is neither a member of the pension scheme nor connected with such a member, and
- (b) used in connection with business premises held as an investment of the pension scheme.

(4) [<sup>F1399</sup>Section 1122 of the Corporation Tax Act 2010] (connected persons) applies for the purposes of this paragraph.

**Textual Amendments**

**F1399**Words in [Sch. 29A para. 10\(4\)](#) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\), s. 1184\(1\), Sch. 1 para. 431\(5\)\(a\)](#) (with [Sch. 2](#))

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### *Tangible moveable property*

- 11 (1) The Treasury may by order provide that, for the purposes of the taxable property provisions, any specified description of tangible moveable property is treated as not being taxable property.
- (2) An order under this paragraph may include provision having effect in relation to times before it is made.

## PART 3

### ACQUISITION AND HOLDING OF TAXABLE PROPERTY

#### *Acquisition*

- 12 (1) For the purposes of the taxable property provisions an investment-regulated pension scheme acquires an interest in property if it comes to hold the interest.
- (2) Sub-paragraph (1) applies however the pension scheme comes to hold the interest, whether that is—
- (a) by act of the parties to a transaction,
  - (b) by order of a court or other authority,
  - (c) by or under any statutory provision, or
  - (d) by operation of law.
- (3) For instances of deemed acquisition, see paragraphs 27 to 29.

#### *Holding*

- 13 (1) For the purposes of the taxable property provisions an investment-regulated pension scheme holds an interest in property if the scheme holds the interest directly or indirectly.
- (2) In the taxable property provisions references to a person holding an interest in property include, in the case of—
- (a) an investment-regulated pension scheme,
  - (b) an arrangement under a pension scheme, or
  - (c) a trust which is not a pension scheme,
- references to the interest in the property being held for the purposes of the pension scheme, the arrangement or the trust.

#### *Direct holding*

- 14 (1) For the purposes of the taxable property provisions a person holds an interest in property directly if the person (whether jointly, in common or alone)—
- (a) holds the property or any estate, interest, right or power in or over the property,
  - (b) has the right to use, or participate in arrangements relating to the use of, that property or a description of property to which that property belongs, or
  - (c) has the benefit of any obligation, restriction or condition affecting the value of any estate, interest, right or power in or over the property,

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under the law of any country or territory.

- (2) But a person does not hold an interest in residential property consisting of hotel accommodation directly unless—
  - (a) the person holds part only of the hotel accommodation or any estate, interest, right or power in or over such a part and, as a result, any person has a right to use or occupy that or any other part of the hotel accommodation, or
  - (b) the person has a right to use, or participate in arrangements relating to the use of, part only of the hotel accommodation or a description of property to which that part belongs.
- (3) For the purposes of the taxable property provisions a person holds an interest in property directly if the person is entitled (whether jointly, in common or alone) to receive payments determined by reference to the value of or the income from the property.
- (4) Sub-paragraph (3) is subject to paragraph 15.

*Exception to direct holding*

- 15 (1) A person does not hold an interest in taxable property directly by virtue of paragraph 14(3) where Conditions A to C are met.
- (2) Condition A is that—
  - (a) the person is entitled to receive the payments by virtue of a policy of life insurance, a contract for a life annuity or a capital redemption policy, and
  - (b) the policy or contract is issued by an insurance company.
- (3) Condition B is that the property—
  - (a) does not constitute a linked asset, or
  - (b) has been appropriated by the insurance company to an internal linked fund.
- (4) Condition C is that—
  - (a) where the person is an occupational pension scheme, the policy or contract, either by itself or taken together with one or more associated policies, does not entitle the pension scheme, either alone or together with one or more associated persons, to receive payments representing 10% or more of the market value of or the income from the property,
  - (b) where the person is a pension scheme other than an occupational pension scheme, the policy or contract, either by itself or taken together with one or more associated policies, does not entitle an arrangement under the pension scheme, either alone or together with one or more associated persons, to receive such payments, or
  - (c) otherwise, the policy or contract does not entitle the person to receive such payments.
- (5) But for the purposes of applying paragraph 14(3) for determining whether a pension scheme holds an interest in taxable property directly or indirectly, this paragraph does not apply if the purpose or one of the purposes for which the person holds rights under the policy or contract is to enable a member of the pension scheme or a person connected with such a member to occupy or use the property.

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- (6) For the purposes of sub-paragraph (4) “associated policy” means a policy or contract which entitles an associated person to receive payments determined by reference to the value of or the income from the property.
- (7) For the definition of “associated person” see paragraph 30.
- (8) For the purposes of this paragraph—  
 “capital redemption policy” means a contract made in the course of a capital redemption business, as defined in section 458(3) of ICTA;  
 “internal linked fund” has the meaning given by—  
 (a) the Interim Prudential Sourcebook for Insurers made by the [F1400Prudential Regulation Authority] under FISMA 2000, or  
 (b) rules made by the [F1401Prudential Regulation Authority] under that Act and having effect for the time being in place of the Sourcebook; and  
 “linked asset” means an asset of the insurance company which is identified in its records as an asset by reference to the value of which benefits provided for under a policy or contract are to be determined.
- (9) For the purposes of this paragraph an annuity is a life annuity if it is—  
 (a) granted for consideration in money or money's worth in the ordinary course of a business of granting annuities on human life, and  
 (b) payable for a term ending at a time ascertainable only by reference to the end of a human life,  
 and for this purpose it does not matter that the annuity may in some circumstances end before or after the life.

#### Textual Amendments

**F1400** Words in Sch. 29A para. 15(8) substituted (1.4.2013) by [The Financial Services Act 2012 \(Consequential Amendments\) Order 2013 \(S.I. 2013/636\)](#), art. 1(2), [Sch. para. 7\(a\)](#)

**F1401** Words in Sch. 29A para. 15(8) substituted (1.4.2013) by [The Financial Services Act 2012 \(Consequential Amendments\) Order 2013 \(S.I. 2013/636\)](#), art. 1(2), [Sch. para. 7\(b\)](#)

#### Modifications etc. (not altering text)

**C229** Sch. 29A para. 15 modified by S.I. 2006/207, reg. 4C (as inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\)\(Amendment\) Regulations 2006 \(S.I. 2006/1960\)](#), [reg. 9](#))

#### *Indirect holding*

- 16 (1) For the purposes of the taxable property provisions a person holds an interest in property indirectly if the person does not hold the interest directly but (whether jointly, in common or alone)—  
 (a) holds an interest in a person who holds the interest in the property directly, or  
 (b) holds an interest in a person who holds the interest in the property indirectly by virtue of paragraph (a) or this paragraph.
- (2) For the purposes of the taxable property provisions a person holds an interest in another person if—  
 (a) the person holds an interest, right or power in or over that other person, or

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- (b) the person lends money to that other person to fund the acquisition by that other person of an interest in taxable property.
- (3) But sub-paragraph (2)(b) does not apply where—
  - (a) the loan is an authorised employer loan made by a pension scheme to or in respect of a sponsoring employer (see section 179),
  - (b) the interest in the property is acquired so that the property may be used for the purposes of a trade, profession or vocation carried on by the sponsoring employer or for the purposes of the sponsoring employer's administration or management, and
  - (c) after the acquisition, the property is not occupied or used by a member of the pension scheme or a person connected with such a member.
- (4) In the taxable property provisions references to a person holding an interest in another person include, in the case of—
  - (a) an investment-regulated pension scheme,
  - (b) an arrangement under a pension scheme, or
  - (c) a trust which is not a pension scheme,references to the interest in the other person being held for the purposes of the pension scheme, the arrangement or the trust.
- (5) Paragraphs 17 to 19 explain what it means for a person to hold an interest in another person by virtue of sub-paragraph (2)(a) in a case where that other person is a company, collective investment scheme or trust.
- (6) The Treasury may by regulations—
  - (a) amend paragraphs 17 to 19, or
  - (b) amend this Part of this Schedule for the purposes of explaining what it means for a person to hold an interest, right or power in or over another person in other cases.
- (7) This paragraph is subject to paragraphs 20 to 26.
- 17 (1) For the purposes of paragraph 16 a person holds an interest in a company if—
  - (a) the person has, or is entitled to acquire, share capital or voting rights in the company,
  - (b) the person has, or is entitled to acquire, a right to receive or participate in distributions of the company,
  - (c) the person is entitled to secure that income or assets (whether present or future) of the company will be applied directly or indirectly for the person's benefit, or
  - (d) the person, either alone or together with other persons, has control of the company.
- (2) In sub-paragraph (1) references to a person being entitled to do anything apply where a person—
  - (a) is currently entitled to do it at a future date, or
  - (b) will at a future date be entitled to do it.
- (3) In sub-paragraph (1) “control” has the meaning given by [<sup>F1402</sup>sections 450 and 451 of the Corporation Tax Act 2010].

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### Textual Amendments

**F1402** Words in Sch. 29A para. 17(3) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), **Sch. 1 para. 431(2)** (with [Sch. 2](#))

- 18 (1) For the purposes of paragraph 16 a person holds an interest in a collective investment scheme if the person is a participant in the scheme.
- (2) In this Schedule—
- (a) “collective investment scheme” has the meaning given by section 235 of FISMA 2000, and
  - (b) “participant”, in relation to such a scheme, has the meaning given by subsection (2) of that section.
- 19 (1) For the purposes of paragraph 16 a pension scheme holds an interest in a trust if Condition A or B is met.
- (2) Condition A is that—
- (a) the pension scheme has a relevant interest in the trust,
  - (b) the pension scheme, a member of the pension scheme or a person connected with such a member has made a payment to the trust on or after the acquisition of the interest, and
  - (c) the payment is not one to which sub-paragraph (7) applies.
- (3) Condition B is that—
- (a) a member of the pension scheme or a person connected with such a member has a relevant interest in the trust,
  - (b) the pension scheme has made a payment to the trust on or after the acquisition of the interest, and
  - (c) the payment is not one to which sub-paragraph (7) applies.
- (4) For the purposes of applying paragraph 16 for determining whether a pension scheme holds an interest in property indirectly, a person other than the pension scheme holds an interest in a trust if —
- (a) the person has a relevant interest in the trust,
  - (b) the person has made a payment to the trust on or after the acquisition of the interest, and
  - (c) the payment is not one to which sub-paragraph (7) applies.
- (5) For the purposes of this paragraph a person has a relevant interest in a trust if—
- (a) any property which may at any time be comprised in the trust or any derived property is, or will or may become, payable to or applicable for the benefit of the person in any circumstances, or
  - (b) the person enjoys a benefit deriving directly or indirectly from any property which is comprised in the trust or any derived property.
- (6) In sub-paragraph (5) “derived property”, in relation to any property, means income from that property or any other property directly or indirectly representing proceeds of, or income from, that property.
- (7) This sub-paragraph applies to a payment if—
- (a) it is made as part of an arm's length transaction by which property or a benefit is to be provided in return for the payment, and



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- (b) it is made otherwise than for the purposes of enabling a member of the pension scheme or a person connected with such a member to occupy or use any property.
- (8) [<sup>F1403</sup>Section 1122 of the Corporation Tax Act 2010] (connected persons) applies for the purposes of this paragraph.
- (9) This paragraph does not apply in relation to a unit trust scheme within the meaning of section 237(1) of FISMA 2000 (but see paragraph 18).

#### Textual Amendments

**F1403** Words in [Sch. 29A para. 19\(8\)](#) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), [Sch. 1 para. 431\(5\)\(b\)](#) (with [Sch. 2](#))

#### *Exceptions to indirect holding*

- 20 (1) A pension scheme does not hold an interest in property indirectly through a vehicle through which the pension scheme would otherwise hold the interest in the property indirectly where one of the following paragraphs applies in relation to the vehicle, and, in particular—
- (a) paragraph 21 makes provision in relation to holding through vehicles which carry on trading activities,
  - (b) [<sup>F1404</sup>paragraphs 22, 24 and 25 make] provision in relation to holding through Real Estate Investment Trusts,
  - (c) paragraphs 23 to 25 make provision in relation to holding through other kinds of vehicles, and
  - (d) paragraph 26 makes provision in relation to holding through a vehicle which holds the interest in the property directly by virtue of paragraph 14(3) (receipt of payments determined by reference to value of or income from property).
- (2) In the taxable property provisions “vehicle”, in relation to a pension scheme which holds an interest in taxable property indirectly, means a person through whom the pension scheme holds the interest in the property.
- (3) For the purposes of the taxable property provisions a person holds an interest in a vehicle directly if the person holds an interest of the kind mentioned in paragraph 16(2) in the vehicle.
- (4) For the purposes of the taxable property provisions a person holds an interest in a vehicle indirectly if the person does not hold the interest directly but—
- (a) holds an interest in a person who holds an interest in the vehicle directly, or
  - (b) holds an interest in a person who holds the interest in the vehicle indirectly by virtue of paragraph (a) or this paragraph.

#### Textual Amendments

**F1404** Words in [Sch. 29A para. 20\(1\)\(b\)](#) substituted (retrospective to 1.1.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 20 paras. 14\(2\), 24\(8\)](#)

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- 21 (1) This paragraph applies to a vehicle in which a pension scheme directly or indirectly holds an interest where—
- (a) the vehicle's main activity is the carrying on of a trade, profession or vocation,
  - (b) the pension scheme does not, whether alone or together with one or more associated persons, have control of the vehicle, and
  - (c) neither a member of the pension scheme nor a person connected with such a member is a controlling director of the vehicle or any other vehicle which holds an interest in the vehicle directly or indirectly.
- (2) But this paragraph does not apply if the purpose or one of the purposes for which the pension scheme holds the interest in the vehicle is to enable a member of the pension scheme or a person connected with such a member to occupy or use the property.
- (3) In sub-paragraph (1)—
- (a) “control” has the same meaning as in [F1405sections 450 and 451 of the Corporation Tax Act 2010] (reading references in [F1406those sections] to a company as references to the vehicle and references to associates as including associated persons), and
  - (b) “controlling director”, in relation to a vehicle, means a director to whom [F1407section 452(2)(b)] of that Act applies (reading the reference to associates in [F1408section 452(3) of that Act] as including associated persons).
- (4) For the purposes of this paragraph a pension scheme or an arrangement under a pension scheme has control of a vehicle if the pension scheme or the arrangement holds such interest as would, if the pension scheme or the arrangement were a person, mean that the person had control of the vehicle.
- (5) [F1409Section 1122 of the Corporation Tax Act 2010] (connected persons) applies for the purposes of this paragraph.
- (6) For the definition of “associated person” see paragraph 30.

#### Textual Amendments

**F1405** Words in Sch. 29A para. 21(3)(a) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), [Sch. 1 para. 431\(3\)\(a\)\(i\)](#) (with [Sch. 2](#))

**F1406** Words in Sch. 29A para. 21(3)(a) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), [Sch. 1 para. 431\(3\)\(a\)\(ii\)](#) (with [Sch. 2](#))

**F1407** Words in Sch. 29A para. 21(3)(b) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), [Sch. 1 para. 431\(3\)\(b\)\(i\)](#) (with [Sch. 2](#))

**F1408** Words in Sch. 29A para. 21(3)(b) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), [Sch. 1 para. 431\(3\)\(b\)\(ii\)](#) (with [Sch. 2](#))

**F1409** Words in Sch. 29A para. 21(5) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), [Sch. 1 para. 431\(5\)\(c\)](#) (with [Sch. 2](#))

- 22 (1) This paragraph applies to a vehicle in which a pension scheme directly or indirectly holds an interest where the vehicle [F1410is a company which is, or is a member of, a UK REIT within the meaning of Part 12 of the Corporation Tax Act 2010 (Real Estate Investment Trusts)] [F1411and paragraph 24 applies to the pension scheme's interest in the vehicle.]

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<sup>F1412</sup>(2) .....

(3) [<sup>F1413</sup>Section 1122 of the Corporation Tax Act 2010] (connected persons) applies for the purposes of sub-paragraph (2).

#### Textual Amendments

**F1410** Words in Sch. 29A para. 22(1) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\), s. 1184\(1\)](#), [Sch. 1 para. 431\(4\)](#) (with Sch. 2)

**F1411** Words in Sch. 29A para. 22(1) inserted (retrospective to 1.1.2007) by [Finance Act 2007 \(c. 11\), Sch. 20 paras. 14\(3\)\(a\), 24\(8\)](#)

**F1412** Sch. 29A para. 22(2) repealed (retrospective to 1.1.2007) by [Finance Act 2007 \(c. 11\), Sch. 20 paras. 14\(3\)\(b\), 24\(8\), Sch. 27 Pt. 3\(2\)](#)

**F1413** Words in Sch. 29A para. 22(3) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\), s. 1184\(1\), Sch. 1 para. 431\(5\)\(d\)](#) (with Sch. 2)

- 23 (1) This paragraph applies to a vehicle in which a pension scheme directly or indirectly holds an interest where—
- (a) Conditions A to C are met in relation to the vehicle, and
  - (b) paragraph 24 applies to the pension scheme's interest in the vehicle.
- (2) Condition A is that—
- (a) the total value of the assets held directly by the vehicle is at least £1 million, or
  - (b) the vehicle holds directly at least three assets which consist of an interest in residential property,
- and no asset held directly by the vehicle which consists of an interest in taxable property has a value which exceeds 40% of the total value of the assets held directly by the vehicle.
- (3) Condition B is that, if the vehicle is a company—
- (a) it is resident in the United Kingdom and is not a close company, or
  - (b) it is not resident in the United Kingdom and would not be a close company if it were resident in the United Kingdom.
- (4) Condition C is that the vehicle does not have as its main purpose, or one of its main purposes, the direct or indirect holding of an animal or animals used for sporting purposes.
- (5) For the purposes of sub-paragraph (2)—
- (a) assets must be valued in accordance with generally accepted accounting practice,
  - (b) no account is to be taken of liabilities secured against or otherwise relating to assets (whether generally or specifically), and
  - (c) where generally accepted accounting practice offers a choice of valuation between cost basis and fair value, fair value must be used.
- (6) The Treasury may by order—
- (a) increase the amount for the time being specified in paragraph (a) of sub-paragraph (2), or
  - (b) increase the percentage for the time being specified in that sub-paragraph.

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- 24 (1) For the purposes of [<sup>F1414</sup>paragraphs 22 and 23] this paragraph applies to the interest held directly or indirectly by a pension scheme in a vehicle where—
- (a) Condition A is met, and
  - (b) Condition B or C is met.
- (2) Condition A is that the pension scheme does not hold the interest in the vehicle for the purpose of enabling a member of the pension scheme or a person connected with such a member to occupy or use the property.
- (3) Condition B is that—
- (a) the pension scheme is an occupational pension scheme, and
  - (b) the pension scheme does not, either alone or together with one or more associated persons, directly or indirectly hold an interest in the vehicle to which sub-paragraph (5) applies.
- (4) Condition C is that—
- (a) the pension scheme is not an occupational pension scheme, and
  - (b) no arrangement under the pension scheme, either alone or together with one or more associated persons, directly or indirectly holds an interest in the vehicle to which sub-paragraph (5) applies.
- (5) This sub-paragraph applies to the following interests—
- (a) 10% or more of the share capital or issued share capital of the vehicle;
  - (b) 10% or more of the voting rights in the vehicle;
  - (c) a right to receive 10% or more of the income of the vehicle;
  - (d) such interest in the vehicle as gives an entitlement to 10% or more of the amounts distributed on a distribution in relation to the vehicle;
  - (e) such interest in the vehicle as gives an entitlement to 10% or more of the assets of the vehicle on a winding-up or in any other circumstances;
  - (f) such interest in the vehicle as gives rise to income or gains from a specific property.
- (6) [<sup>F1415</sup>Section 1122 of the Corporation Tax Act 2010] (connected persons) applies for the purposes of this paragraph.
- (7) For the definition of “associated person” see paragraph 30.

#### Textual Amendments

**F1414** Words in Sch. 29A para. 24(1) substituted (retrospective to 1.1.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 20 paras. 14\(4\), 24\(8\)](#)

**F1415** Words in Sch. 29A para. 24(6) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), [Sch. 1 para. 431\(5\)\(e\)](#) (with Sch. 2)

- 25 (1) This paragraph contains provisions supplementary to paragraph 24.
- (2) Where—
- (a) paragraph [<sup>F1416</sup>22 or 23] does not apply in relation to a vehicle in which the pension scheme directly or indirectly holds an interest merely because Condition C in paragraph 24(4) is not met in relation to an arrangement under the pension scheme, and

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- (b) accordingly, the pension scheme holds an interest in property indirectly through the vehicle,  
the interest in the property is to be treated as held through the vehicle for the purposes of another arrangement under the pension scheme only if that arrangement, either alone or together with one or more associated persons, directly or indirectly holds an interest in the vehicle to which paragraph 24(5) applies.
- (3) Sub-paragraph (4) applies for determining the percentage of an interest held by a person in a vehicle at a time when the person holds that interest indirectly.
- (4) That percentage is equal to the percentage of the total taxable amount that would be apportioned to the person under paragraphs 41 to 43—
- (a) where the person is not the pension scheme, if the person were the pension scheme, and
- (b) in any case, if the person were treated as making an unauthorised payment by virtue of the vehicle coming to hold the interest in the property directly at that time.
- (5) For the definition of “associated person” see paragraph 30.

#### Textual Amendments

**F1416** Words in Sch. 29A para. 25(2)(a) substituted (retrospective to 1.1.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 20 paras. 14\(5\), 24\(8\)](#)

- 26 (1) This paragraph applies to a vehicle in which a pension scheme directly or indirectly holds an interest where—
- (a) the vehicle holds the interest in the property directly by virtue of paragraph 14(3) merely because it does not meet Condition C in paragraph 15(4), and
- (b) sub-paragraph (2) applies in relation to the pension scheme.
- (2) This sub-paragraph applies in relation to the pension scheme if—
- (a) where the pension scheme is an occupational pension scheme, the pension scheme is not, either alone or together with one or more associated persons, deemed to be entitled to 10% or more of the market value of or the income from the property, or
- (b) where the pension scheme is not an occupational pension scheme, no arrangement under the pension scheme, either alone or together with one or more associated persons, is deemed to be so entitled.
- (3) For the purposes of this paragraph the percentage of the market value of or the income from the property to which a person is deemed to be entitled at any time is—
- $$IG \times TTA$$
- where—
- IG is the percentage of the market value of or the income from the property to which the vehicle that holds the interest in the property directly is entitled at that time, and
- TTA is the percentage of the total taxable amount that would be apportioned to the person at that time on the assumptions mentioned in sub-paragraph (4).
- (4) Those assumptions are—

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- (a) if the person is not the pension scheme, that the person is the pension scheme, and
- (b) in any case, that the person is treated as making an unauthorised payment by virtue of the vehicle coming to hold the interest in the property directly at that time.

(5) For the definition of “associated person” see paragraph 30.

#### *Deemed acquisition*

27 Where—

- (a) an investment-regulated pension scheme holds an interest in property which is not taxable property, and
- (b) that property becomes taxable property otherwise than by reason of its conversion or adaptation as residential property,

the pension scheme is treated for the purposes of the taxable property provisions as acquiring an interest in the property.

28 (1) Subject to paragraph 29, this paragraph applies where—

- (a) an investment-regulated pension scheme holds an interest in taxable property indirectly, and
- (b) there is an increase in the extent of the interest held directly in a vehicle by the pension scheme or another vehicle.

(2) The pension scheme is to be treated for the purposes of this Schedule as—

- (a) having disposed of the interest in the property immediately before the increase in the extent of the interest in the vehicle, and
- (b) having re-acquired the interest immediately afterwards.

(3) The extent of the interest held directly in a vehicle by a person is to be determined for the purposes of this paragraph and paragraph 29 in accordance with paragraphs 42 and 43.

29 (1) Where there is an increase in the extent of the interest held directly in the vehicle otherwise than by reason of the acquisition of a further interest in the vehicle, paragraph 28 does not apply unless the condition in sub-paragraph (2) is met.

(2) The condition is that the event by which the extent of the interest held directly in the vehicle increases forms part of a scheme or arrangement the main purpose or one of the main purposes of which is—

- (a) to enable the amount of the unauthorised payment treated as arising on the original acquisition of the interest in the property by the pension scheme to be lower than it otherwise would have been, or
- (b) to prevent an unauthorised payment from being treated as made on that original acquisition.

(3) Unless that condition is met, the increase in the extent of the interest is also to be disregarded for the purposes of paragraphs 24 to 26.

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**Modifications etc. (not altering text)**

**C230** Sch. 29A para. 29 modified by S.I. 2006/207, reg. 4D (as inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\)\(Amendment\) Regulations 2006 \(S.I. 2006/1960\)](#), **reg. 9**)

*Associated persons*

- 30 (1) For the purposes of this Part of this Schedule “associated person”, in relation to a pension scheme, means—
- (a) any member of the pension scheme,
  - (b) any person connected with such a member,
  - (c) any arrangement (under that or another pension scheme) relating to a member of the pension scheme,
  - (d) any arrangement (under that or another pension scheme) relating to a person connected with such a member, and
  - (e) any associated pension scheme.
- (2) For the purposes of sub-paragraph (1) a pension scheme is associated with another pension scheme if members representing at least 10% by value of one pension scheme are members of the other pension scheme or connected with such members.
- (3) The percentage by value represented by a member of a pension scheme is—
- $$\text{AMAA} \times 100$$
- where—
- AM is an amount equal to the aggregate of the amount of the sums and the market value of the assets held for the purposes of an arrangement under the pension scheme relating to the member, and
- AA is an amount equal to the aggregate of the amount of the sums and the market value of the assets held for the purposes of the pension scheme.
- (4) For the purposes of this Part of this Schedule “associated person”, in relation to an arrangement under a pension scheme, means—
- (a) the member of the pension scheme to which that arrangement relates,
  - (b) any person connected with such a member,
  - (c) any arrangement (under that or another pension scheme) relating to a member of the pension scheme to which that arrangement relates, and
  - (d) any arrangement (under that or another pension scheme) relating to a person connected with such a member.

**PART 4**

AMOUNT AND TIMING OF UNAUTHORISED PAYMENT

*Introduction*

- 31 (1) This Part of this Schedule has effect for determining—

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- (a) the amount of an unauthorised payment treated as made to a member of an investment-regulated pension scheme by virtue of section 174A, and
  - (b) the time when such a payment is treated as made.
- (2) The amount is determined by—
- (a) finding the total taxable amount in relation to the unauthorised payment (see paragraphs 32 to 40),
  - (b) apportioning that amount to the pension scheme (see paragraphs 41 to 43),
  - (c) in a case to which paragraph 28 applies (acquisition etc of further interest in vehicle), making an adjustment under paragraph 44 to the amount mentioned in paragraph (b), and
  - (d) apportioning that amount to the member to whom the payment is treated as made in accordance with paragraph 45.

**Modifications etc. (not altering text)**

**C231** Sch. 29A para. 31 modified by S.I. 2006/207, reg. 4D (as inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\)\(Amendment\) Regulations 2006 \(S.I. 2006/1960\)](#), **reg. 9**)

*Acquisition: basic rules*

- 32 (1) This paragraph applies to a case within subsection (1) of section 174A (acquisition of an interest in taxable property).
- (2) The unauthorised payment is treated as made when the interest in the property is acquired by the pension scheme.
- (3) If the interest in the property is acquired because the pension scheme or another person comes to hold the interest directly, the total taxable amount in relation to the unauthorised payment is—
- (a) the amount of consideration, in money or money's worth, given directly or indirectly for the interest, plus
  - (b) the amount of any fees and other costs incurred in connection with the acquisition.
- (4) Sub-paragraph (3) is subject to paragraphs 33 to 35.
- (5) If the interest in the property is acquired because the pension scheme or another person comes to hold an interest in a person who already holds the interest in the property directly or indirectly, the total taxable amount in relation to the unauthorised payment is—
- (a) the market value, at the date the interest in the person is acquired, of the interest in the property held by the person who holds it directly, or
  - (b) if the interest in the property is a lease at a rent, the amount of consideration that would be treated as given by the person for the lease by virtue of paragraph 34 if it were assigned to the person at that time.
- (6) If the interest in the property is treated as acquired by the pension scheme by virtue of paragraph 27 or 28, the total taxable amount in relation to the unauthorised payment is—



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- (a) the market value, at the date the interest is treated as acquired, of the interest in the property held by the person who holds it directly, or
- (b) if the interest in the property is a lease at a rent, the amount of consideration that would be treated as given by the person for the lease by virtue of paragraph 34 if it were assigned to the person at that time.

(7) This paragraph is subject to paragraph 36.

**Modifications etc. (not altering text)**

**C232** Sch. 29A para. 32 applied (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Pensions Schemes \(Taxable Property Provisions\) Regulations 2006 \(S.I. 2006/1958\)](#), regs. 1(1), 4

*Acquisition: further provisions*

- 33 (1) This paragraph applies where—
- (a) an investment-regulated pension scheme acquires an interest in taxable property because it acquires a chargeable interest in the property within the meaning of section 48(1) of the Finance Act 2003,
  - (b) the interest is acquired because the pension scheme or another person comes to hold the interest directly, and
  - (c) the whole or part of the consideration for the interest is consideration other than rent.
- (2) The provisions of the Finance Act 2003 listed in sub-paragraph (3) apply for determining the amount of the consideration (or the part that is not rent) as they apply for determining the amount of chargeable consideration for a land transaction for the purposes of Part 4 of that Act.
- (3) Those provisions are—
- (a) paragraphs 2 to 8 and 9 to 16 of Schedule 4 (chargeable consideration);
  - (b) section 51 (contingent, uncertain or unascertained consideration);
  - (c) section 52 (annuities etc: chargeable consideration limited to twelve years' payments).
- (4) The Treasury may by regulations provide—
- (a) for those provisions to apply with modifications to cases to which this paragraph applies, and
  - (b) for any other provisions of Part 4 of the Finance Act 2003 to apply (with or without modifications) to such cases.

**Modifications etc. (not altering text)**

**C233** Sch. 29A para. 33 applied (with modifications) (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Pensions Schemes \(Taxable Property Provisions\) Regulations 2006 \(S.I. 2006/1958\)](#), regs. 1(1), 3

**C234** Sch. 29A para. 33 applied (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Pensions Schemes \(Taxable Property Provisions\) Regulations 2006 \(S.I. 2006/1958\)](#), regs. 1(1), 5

- 34 (1) This paragraph applies where—

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- (a) an investment-regulated pension scheme acquires an interest in taxable property because it acquires a chargeable interest in the property within the meaning of section 48(1) of the Finance Act 2003,
  - (b) the interest is acquired because the pension scheme or another person comes to hold the interest directly, and
  - (c) the whole or part of the consideration for the acquisition is rent.
- (2) The amount of the consideration (or the part that is rent) is to be taken to be the relevant rental value of the property; and paragraphs 2(4)(a), 3 and 8 of Schedule 5 (rent) to the Finance Act 2003 apply for determining that value.
- (3) The following provisions of the Finance Act 2003 apply for the purposes of sub-paragraph (2) for determining the amount of rent payable as they apply for determining the amount of rent payable under a lease to which that Act applies—
- (a) paragraphs 2, 5 to 7A, 9 and 16 of Schedule 17A (further provisions relating to leases);
  - (b) (subject to the provisions mentioned in paragraph (a)) the provisions mentioned in paragraph 33(3).
- (4) The Treasury may by regulations provide—
- (a) for the provisions mentioned in sub-paragraph (2) or (3) to apply with modifications to cases to which this paragraph applies, and
  - (b) for any other provisions of Part 4 of the Finance Act 2003 to apply (with or without modifications) to such cases.
- (5) For the purposes of this paragraph where on an assignment of a lease the assignee assumes the obligation to pay rent, the assumption counts as consideration for the assignment.

**Modifications etc. (not altering text)**

**C235** Sch. 29A para. 34 applied (with modifications) (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Pensions Schemes \(Taxable Property Provisions\) Regulations 2006 \(S.I. 2006/1958\)](#), regs. 1(1), 3

**C236** Sch. 29A para. 34 applied (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Pensions Schemes \(Taxable Property Provisions\) Regulations 2006 \(S.I. 2006/1958\)](#), regs. 1(1), 6

- 35 (1) This paragraph applies where—
- (a) an investment-regulated pension scheme acquires an interest in taxable property because the pension scheme or another person comes to hold the interest directly,
  - (b) the interest is acquired for less than its market value, and
  - (c) immediately before the acquisition the interest was held by a registered pension scheme which was not an investment-regulated pension scheme.
- (2) This paragraph also applies where—
- (a) an investment-regulated pension scheme acquires an interest in taxable property because the pension scheme or another person comes to hold the interest directly,
  - (b) the interest is acquired for less than its market value, and
  - (c) tax relief is available under section 188 or 196 in respect of the transfer of the interest.

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- (3) The amount of the consideration for the interest is treated as—
- (a) the market value, at the date the interest is acquired, of the interest in the property held by the person who holds it directly, or
  - (b) if the interest in the property is a lease at a rent, the amount of consideration that would be treated as given by the person for the lease by virtue of paragraph 34 if it were assigned to the person at that time.
- 36 (1) The Treasury may by regulations make provision with respect to—
- (a) what is to count as consideration for the acquisition of an interest in taxable property, and
  - (b) the determination of the amount of such consideration.
- (2) The Treasury may by regulations make provision with respect to the determination of the market value of an interest held in taxable property.
- (3) Regulations under this paragraph may, in particular, make provision for cases where an investment-regulated pension scheme acquires—
- (a) an interest in taxable property outside the United Kingdom,
  - (b) a licence to use or occupy taxable property, or
  - (c) an interest in taxable property which is tangible moveable property.
- (4) Regulations under this paragraph may—
- (a) amend this Part of this Schedule, and
  - (b) include provision having effect in relation to times before they are made.

*Post-acquisition unauthorised payments*

- 37 (1) The Treasury may by regulations make provision for an investment-regulated pension scheme which has acquired an interest in taxable property to be treated as making one or more further unauthorised payments where—
- (a) the amount of consideration for the acquisition was determined on the basis of a reasonable estimate, and the actual amount of the consideration turns out to be higher than the estimated amount,
  - (b) in the case of an interest which is a lease, there is a variation in the rent payable under the lease, or
  - (c) in such a case, the amount of consideration for the acquisition was determined on an assumption about the length of the term of the lease, and the lease continues after the end of the term.
- (2) Regulations under this paragraph may—
- (a) amend section 174A or this Schedule (apart from this paragraph), and
  - (b) include provision having effect in relation to times before they are made.
- (3) References in the taxable property provisions to unauthorised payments treated as made under section 174A include references to payments treated as made under regulations under this paragraph.

*Improvement of taxable property*

- 38 (1) This paragraph applies to a case within subsection (2) of section 174A (improvement of taxable property).

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- (2) An unauthorised payment is treated as made when a payment is made in connection with the improvement works.
- (3) The total taxable amount in relation to the unauthorised payment is the amount of the payment mentioned in sub-paragraph (2).

*Conversion or adaptation as residential property*

- 39 (1) This paragraph applies to a case within subsection (3) of section 174A (conversion or adaptation as residential property).
- (2) The unauthorised payment is treated as made on the occurrence of whichever of the following first occurs after the property has become residential property—
- (a) the substantial completion of the works to convert or adapt the property;
  - (b) the interest in the property ceasing to be held by the pension scheme.
- (3) But if the property becomes residential property after the end of the period of three years beginning with the date on which the first payment was made in connection with the works to convert or adapt the property, the unauthorised payment is treated as made when the property becomes residential property.
- (4) If the works began before the end of the period of twelve months beginning with the acquisition of the interest in the property by the pension scheme, the total taxable amount in relation to the unauthorised payment is—
- (a) the amount of consideration for the interest, determined in accordance with paragraphs 32 to 36, plus
  - (b) the development costs (see sub-paragraph (7)).
- (5) If the works began after the end of that period, the total taxable amount in relation to the unauthorised payment is—
- (a) the relevant market value (see sub-paragraph (6)), plus
  - (b) the development costs (see sub-paragraph (7)).
- (6) In this paragraph “the relevant market value” means—
- (a) the market value, at the date the works began, of the interest in the property held by the person who holds it directly, or
  - (b) if the interest in the property is a lease at a rent, the amount of consideration that would be treated as given by the person for the lease by virtue of paragraph 34 if it were assigned to the person at that time.
- (7) In this paragraph “the development costs” means the total cost of the works to convert or adapt the property at the time when the unauthorised payment is treated as made.
- (8) Where, at the time the unauthorised payment is treated as made—
- (a) an amount will be payable for the works only if some uncertain future event occurs, or
  - (b) an amount will cease to be payable for the works if some uncertain future event occurs,
- the development costs are to be determined on the assumption that the amount will be payable or, as the case may be, will not cease to be payable.
- (9) Where, at that time, an amount payable for the works—
- (a) depends on uncertain future events, or

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- (b) cannot otherwise be ascertained,  
that amount is to be determined for the purposes of sub-paragraph (7) on the basis of a reasonable estimate.
- 40 (1) This paragraph applies to a case within subsection (3) of section 174A (conversion or adaptation as residential property).
- (2) This paragraph applies if —
- (a) sub-paragraph (8) of paragraph 39 has effect when an unauthorised payment is treated as made under that paragraph,
  - (b) an amount estimated under that sub-paragraph later becomes ascertained, and
  - (c) the ascertained amount is more than the estimated amount.
- (3) An unauthorised payment is treated as made when the amount becomes ascertained.
- (4) The total taxable amount in relation to the unauthorised payment is the difference between the ascertained amount and the estimated amount.
- (5) References in the taxable property provisions to unauthorised payments treated as made under section 174A include references to payments treated as made under this paragraph.

*Apportionment to pension scheme*

- 41 (1) This paragraph applies for determining—
- (a) whether the amount of an unauthorised payment treated as made by an investment-regulated pension scheme under section 174A consists of the whole of the total taxable amount in relation to the payment, and
  - (b) if not, how much of the total taxable amount comprises the amount of the unauthorised payment.
- (2) The pension scheme is treated as making an unauthorised payment equal to the whole of the total taxable amount where Condition A, B or C is met.
- (3) Condition A is that the pension scheme directly holds the interest in the taxable property which gives rise to the unauthorised payment.
- (4) Condition B is that—
- (a) the pension scheme holds the interest in the property indirectly through one vehicle, and
  - (b) that vehicle is wholly owned by the pension scheme.
- (5) Condition C is that—
- (a) the pension scheme holds the interest in the property indirectly through more than one vehicle (a “chain” of vehicles), and
  - (b) each vehicle in the chain is wholly owned by another vehicle in the chain or by the pension scheme.
- (6) Where—
- (a) the pension scheme holds the interest in the property indirectly through one vehicle, and
  - (b) the vehicle is not wholly owned by the pension scheme,

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the amount of the unauthorised payment is a proportion of the total taxable amount determined by reference to the extent of the pension scheme's interest in the vehicle.

- (7) Where—
- (a) the pension scheme holds the interest in the property indirectly through one or more chains of vehicles, and
  - (b) one or more vehicles in such a chain is not wholly owned by another vehicle in the chain or by the pension scheme,
- the amount of the unauthorised payment is the amount or the total of all the amounts found under sub-paragraph (8) for each chain through which the pension scheme owns the interest in the property.
- (8) The amount is a proportion of the total taxable amount determined by reference to the extent of the interest held directly by the pension scheme or another vehicle in the chain in each vehicle in the chain—
- (a) starting with the vehicle which holds the interest in the property directly, and
  - (b) ending with the vehicle in which the pension scheme directly holds an interest.
- (9) For the purposes of this paragraph a vehicle is wholly owned by a person if no other person directly holds an interest in the vehicle.
- (10) This paragraph is subject to paragraph 44.
- 42 (1) References in this Schedule to the extent of an interest held directly by a person in a vehicle are references to the proportion of the interests of everyone who directly holds an interest in the vehicle which on a just and reasonable apportionment is represented by that interest.
- (2) Sub-paragraph (1) is subject to paragraph 43, which explains how to determine the extent of a person's interest in a vehicle for the purposes of the taxable property provisions where the vehicle is a company.
- (3) The Treasury may by regulations—
- (a) amend paragraph 43, or
  - (b) amend this Part of this Schedule for the purposes of explaining how to determine the extent of a person's interest in a vehicle in other cases.
- (4) Regulations under sub-paragraph (3) may include provision having effect in relation to times before they are made.
- 43 (1) For the purposes of this Schedule, and except in a case to which sub-paragraph (3) applies, the extent of a person's interest in a company is determined by reference to whichever of the following gives the person the greatest interest in the company—
- (a) the percentage of the share capital or issued share capital of the company owned by the person;
  - (b) the percentage of the voting rights in the company owned by the person;
  - (c) the percentage of all the income of the company to which the person has a right;
  - (d) the percentage of the amounts distributed on a distribution in relation to the company to which the person has a right;
  - (e) the percentage of the assets of the company to which the person has a right on a winding-up or in any other circumstances;

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- (f) where the person has a right to a percentage of a particular asset or description of assets of the company, or of the income or gains from such an asset or description (either generally or in particular circumstances), that percentage or the highest of all the percentages found under this paragraph.
- (2) For the purposes of sub-paragraph (1) a person is treated as owning or having a right to anything which the person will only acquire—
- (a) at some future date,
  - (b) if the person exercises a right to acquire it, or
  - (c) if some other uncertain future event occurs or does not occur.
- (3) Where—
- (a) a person has an interest in a company as a result of lending the company money to fund the acquisition of an interest in taxable property, and
  - (b) this sub-paragraph gives the person a greater interest in the company than any interest given by sub-paragraph (1),
- for the purposes of this Schedule the extent of the person's interest in the company is determined by the proportion that the value of the loan bears to the total value of the assets held directly by the company.
- (4) For the purposes of sub-paragraph (3)—
- (a) assets must be valued in accordance with generally accepted accounting practice,
  - (b) no account is to be taken of liabilities secured against or otherwise relating to assets (whether generally or specifically), and
  - (c) where generally accepted accounting practice offers a choice of valuation between cost basis and fair value, fair value must be used.

*Deemed acquisition: adjustment*

- 44 (1) This paragraph applies where an investment-regulated pension scheme is treated as acquiring an interest in taxable property by virtue of paragraph 28 (increase in extent of interest in vehicle).
- (2) The amount of the unauthorised payment treated as made by the pension scheme is—

UPUPB

Where—

UP is the amount that would have been the amount of the unauthorised payment apart from this paragraph; and

UPB is the amount that would have been the amount of any unauthorised payment treated as made by the pension scheme if it had acquired the interest in the property immediately before the increase in the extent of the interest in the vehicle (assuming the total taxable amount in relation to the unauthorised payment to be that given under paragraph 32(5)).

*Apportionment to member*

- 45 (1) This paragraph has effect for determining—
- (a) whether the whole of an unauthorised payment treated as made by a pension scheme is to be treated as made to a member of the scheme, and

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- (b) if not, how much of the unauthorised payment is to be treated as made to the member.
- (2) If the interest in the taxable property which gives rise to the unauthorised payment is held by the pension scheme for the purposes of—
- (a) the arrangement under the pension scheme relating to the member, and
  - (b) at least one other arrangement under the pension scheme,
- the unauthorised payment is to be apportioned on a just and reasonable basis between all of the arrangements for the purposes of which the interest in the property is held.
- (3) Otherwise, the whole of the unauthorised payment is to be treated as made to the member.]

## SCHEDULE 30

Section 179

### REGISTERED PENSION SCHEMES: EMPLOYER LOANS

#### *Definitions*

##### *Charge of adequate value*

- 1 (1) A charge is of adequate value if it meets conditions A, B and C.
- (2) Condition A is that, at the time the charge is given, the market value of the assets subject to the charge—
- (a) in the case of the first charge to secure the loan, is at least equal to the amount owing (including interest), and
  - (b) in any other case, is at least equal to the lower of that amount and the market value of the assets subject to the previous charge.
- (3) Condition B is that if, at any time after the charge is given, the market value of the assets charged is less than would be required under condition A if the charge were given at that time, the reduction in value is not attributable to any step taken by the pension scheme, the sponsoring employer or a person connected with the sponsoring employer.
- (4) Condition C is that the charge takes priority over any other charge over the assets.

#### **Commencement Information**

**I150** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

##### *Loan repayment date*

- 2 (1) “Loan repayment date” means the date by which the total amount owing (including interest) must be paid.
- (2) A standard loan repayment date is a loan repayment date before the end of the period of five years beginning with the date on which the loan is made.



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**Commencement Information**

**I151** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

*Loan year*

- 3 (1) “Loan year” means—
- (a) the period of 12 months beginning with the date on which the loan is made, and
  - (b) each succeeding period of 12 months.
- (2) But in the period of 12 months in which the loan repayment date falls, the loan year ends on the loan repayment date (and that loan year is the last loan year).

**Commencement Information**

**I152** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

*Required amount*

- 4 “The required amount”, in relation to a period beginning with the date on which the loan is made and ending with the last day of a loan year, is—

**Commencement Information**

**I153** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

*Amount of unauthorised payment*

*Loan does not comply with section 179(1) when made*

- 5 (1) If a loan does not comply with section 179 (1) (authorised employer loan) when it is made, there is an unauthorised payment of an amount equal to the largest of such of amounts 1, 2, A, B, and C as arise in relation to the loan.
- (2) Paragraphs 12 to 16 explain amounts 1, 2, A, B and C.

**Commencement Information**

**I154** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

*Loan ceases to be secured by charge of adequate value*

- 6 If at any time after a loan is made the loan ceases to be secured by a charge of adequate value, there is an unauthorised payment equal to amount 2 (see paragraph 13).

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#### Commencement Information

**I155** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

*Further reduction in value of charge which is not of adequate value*

- 7 (1) If at any time after a loan is made—
- (a) the loan is secured by a charge which is not of adequate value, and
  - (b) an event mentioned in sub-paragraph (2) occurs,
- there is an unauthorised payment.
- (2) The events are—
- (a) the loan ceasing to be secured by a charge,
  - (b) a charge being given which does not comply with conditions A or C,
  - (c) a reduction in the value of the assets charged which does not comply with condition B, and
  - (d) the charge ceasing to comply with condition C.
- (3) The amount of the unauthorised payment is—

## AAE – ABE

where—

AAE is amount 2 (see paragraph 13) calculated after the event, and

ABE is amount 2 (see paragraph 13) calculated before the event.

- (4) Paragraph 1 defines conditions A, B and C.

#### Commencement Information

**I156** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

*Loan ceases to comply with repayment terms*

- 8 (1) If at any time after a loan is made—
- (a) there is an alteration in the repayment terms, and
  - (b) as a result the repayment terms cease to comply with one or more paragraphs of section 179(2) (authorised repayment terms),
- there is an unauthorised payment of an amount equal to the larger of such of amounts A, B, and C (see paragraphs 14 to 16) as arise when that paragraph or those paragraphs are not complied with.

#### Commencement Information

**I157** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

*Increase in extent to which loan does not comply with repayment terms*

*Status: Point in time view as at 18/02/2021.*

*Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Finance Act 2004. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details)*

- 9 (1) If at any time after a loan is made—
- (a) there is an alteration in the repayment terms, and
  - (b) as a result the deterioration condition is met in relation to one or more paragraphs of section 179(2) (authorised repayment terms) which were not complied with before the alteration,
- there is an unauthorised payment of an amount calculated in accordance with sub-paragraphs (3) and (4).
- (2) The deterioration condition is met in relation to a paragraph if—

$$AAA > ABA$$

- (3) For each paragraph in relation to which the deterioration condition is met, calculate—

$$AAA - ABA$$

- (4) There is an unauthorised payment of an amount equal to the largest of the amounts calculated under sub-paragraph (3).
- (5) In this paragraph—
- AAA, in relation to a paragraph of section 179(2) which was not complied with before the alteration in the repayment terms, is the amount arising when that paragraph is not complied with, calculated after the alteration in the repayment terms, and
- ABA, in relation to such a paragraph, is the amount arising when that paragraph is not complied with, calculated before the alteration in the repayment terms.

**Commencement Information**

**I158** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

*Prevention of double charging*

- 10 (1) This paragraph applies if on any date there is an unauthorised payment under more than one of paragraphs 6 to 9.
- (2) There is a single unauthorised payment.
- (3) The amount of the unauthorised payment is an amount equal to the amount of the greater or greatest of the unauthorised payments under those paragraphs.

**Commencement Information**

**I159** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

*Total unauthorised payments not to exceed amount of loan*

- 11 If the aggregate amount of the unauthorised payments in relation to a loan under paragraphs 5 to 10 exceeds the amount of the loan when it was made, the excess is to be treated as not being an unauthorised payment.

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#### Commencement Information

**I160** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

#### Amount 1

12 (1) Amount 1 arises if paragraph (a) of section 179 (1) (amount of loan must not exceed 50% of pension scheme assets) is not complied with.

(2) Amount 1 is—

where—

AL is the amount of the loan, and

VA is an amount equal to 50% of the aggregate of the amount of the sums, and the market value of the assets, held for the purposes of the pension scheme before the loan is made.

#### Commencement Information

**I161** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

#### Amount 2

13 (1) Amount 2 arises if paragraph (b) of section 179 (1) (loan must be secured by charge of adequate value) is not complied with.

(2) Amount 2 is—

$$AO - VA$$

where—

AO is the amount owing (including interest) at the relevant time, and

VA is the market value at that time of the assets charged but if the loan is not secured by a charge, or is secured by a charge which does not meet condition C (as defined in paragraph 1), is nil.

#### Commencement Information

**I162** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

#### Amount A

14 (1) Amount A arises if paragraph (a) of section 179(2) (interest rate to be not less than prescribed amount) is not complied with.

(2) Amount A is—

where—

IR is the rate of interest payable at the relevant time,

PIR is the rate of interest prescribed by regulations under that paragraph, and

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AO is the amount owing (not including interest) at the relevant time.

**Commencement Information**

**I163** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

*Amount B*

- 15 (1) Amount B arises if paragraph (b) of section 179(2) (loan repayment date to be within five years unless postponed) is not complied with.
- (2) Amount B is—
- where—
- DLRP is the number of days in the period which begins with the date on which the loan is made and ends with the loan repayment date,
- DFY is the number of days in the period which begins with the date on which the loan is made and ends five years after that date, and
- AO is the amount owing (including interest) at the relevant time.
- (3) But if the amount produced by the fraction in sub-paragraph (2) is greater than 1, amount B is the amount owing (including interest) at the relevant time.
- (4) If the loan repayment date has been postponed under section 179(3), sub-paragraph (2) applies as if references to the date on which the loan is made were to the standard loan repayment date on which the loan repayment date was postponed.

**Commencement Information**

**I164** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

*Amount C*

- 16 (1) Amount C arises if paragraph (c) of section 179(2) (amount payable for a period to be not less than required amount) is not complied with and is calculated as follows.
- (2) In relation to each period beginning with the date on which the loan is made and ending with the last day of a loan year, calculate—

$$RA - AP$$

where—

RA is the required amount in relation to that period, and

AP is the amount payable during that period.

- (3) If an amount calculated under sub-paragraph (2) is negative, treat that amount as nil.
- (4) Amount C is the largest of the amounts calculated under sub-paragraph (2).

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**Commencement Information**

**I165** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

SCHEDULE 31

Section 204

TAXATION OF BENEFITS UNDER REGISTERED PENSION SCHEMES

1 Part 9 of ITEPA 2003 (pension income) is amended as follows.

**Commencement Information**

**I166** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

2 In section 565 (structure of Part 9), for “Chapters 16 to 18 deal with” substitute—  
 “Chapter 15A makes provision about exemptions and charges in relation to lump sums under registered pension schemes; Chapters 17 and 18 deal with other”.

**Commencement Information**

**I167** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

3 (1) Section 566(4) (nature of charge to tax on pension income) is amended as follows.  
 (2) For the entries relating to sections 580, 583, 590, 595, 598, 601 and 605 substitute—

“Section 579A	Pensions under registered pension schemes	Chapter 5A”
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(3) Omit the entry relating to section 623.

(4) Insert at the end—

“Section 636B	Pensions treated as arising from payment of trivial commutation lump sums and winding-up lump sums under registered pension schemes	Chapter 15A
Section 636C	Pensions treated as arising from payment of trivial commutation	Chapter 15A”

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lump sum death benefits  
and winding-up lump  
sum death benefits  
under registered pension  
schemes

**Commencement Information**

**I168** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

4 In section 567(4)(a) (amount charged to tax), for “15” substitute “ 15A ”.

**Commencement Information**

**I169** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

5 In section 568 (person liable to tax), for “15” substitute “ 15A ”.

**Commencement Information**

**I170** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

6 After Chapter 5 insert—

“CHAPTER 5A

PENSIONS UNDER REGISTERED PENSION SCHEMES

**Pensions**

579A(1) This section applies to any pension under a registered pension scheme (but subject to subsection (2)).

(2) This section does not apply to a pension under a registered pension scheme if and to the extent that, when it is paid, a liability to the unauthorised payments charge arises in respect of the amount of the payment (see section 208 of FA 2004).

**Taxable pension income**

579B If section 579A applies, the taxable pension income for a tax year is the full amount of the pension under the registered pension scheme that accrues in that year irrespective of when any amount is actually paid.

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### Person liable for tax

579C If section 579A applies, the person liable for any tax charged under this Part is the person receiving or entitled to the pension under the registered pension scheme.

### Interpretation

579D In this Chapter “pension under a registered pension scheme” includes—

- (a) an annuity under, or purchased with sums or assets held for the purposes of, or representing acquired rights under, a registered pension scheme, and
- (b) income withdrawal or dependants' income withdrawal under a registered pension scheme.

In paragraph (b) “income withdrawal” and “dependants' income withdrawal” have the meaning given by paragraphs 7 and 21 of Schedule 28 to FA 2004.”

#### Commencement Information

**I171** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

7 Omit Chapters 6, 7, 8 and 9 (pensions under approved schemes).

#### Commencement Information

**I172** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

8 (1) Section 610 (annuities under sponsored superannuation schemes) is amended as follows.

(2) In subsection (1)—

- (a) in paragraph (a), for “a sponsored superannuation scheme” substitute “ an occupational pension scheme that is not a registered pension scheme ”, and
- (b) in paragraph (b), for “a sponsored superannuation scheme” substitute “ such an occupational pension scheme ”.

(3) In subsection (3), for “any provision of Chapter 6, 7, 8 or 9” substitute “ Chapter 5A ”.

(4) For subsection (4) substitute—

“(4) In this section “occupational pension scheme” has the same meaning as in Part 4 of FA 2004 (see section 150(5) of that Act).”

(5) In the heading, for “sponsored superannuation” substitute “ non-registered occupational pension ”.



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**Commencement Information**

**I173** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

- 9 In section 611(3) (annuities in recognition of another's service), for "any provision of Chapter 6, 7, 8 or 9" substitute "Chapter 5A".

**Commencement Information**

**I174** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

- 10 Omit Chapter 13 (return of surplus additional voluntary contributions under exempt approved schemes and relevant statutory schemes).

**Commencement Information**

**I175** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

- 11 After Chapter 15 insert—

## “CHAPTER 15A

### LUMP SUMS UNDER REGISTERED PENSION SCHEMES

#### **Exemption for certain lump sums under registered pension schemes**

636A) 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,
  - (c) a refund of excess contributions lump sum,
  - (d) a defined benefits lump sum death benefit,
  - (e) an uncrystallised funds lump sum death benefit, or
  - (f) a transfer lump sum death benefit.
- (2) But subsection (1) does 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.
- (4) A lump sum under a registered pension scheme which is—
- (a) a pension protection lump sum death benefit,
  - (b) an annuity protection lump sum death benefit, or
  - (c) an unsecured pension fund lump sum death benefit,

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is subject to income tax in accordance with section 206 of FA 2004 (charge to tax on scheme administrator in respect of such lump sum death benefits) but not otherwise.

[<sup>F1417</sup>(4A) In the case of a registered pension scheme which is a split scheme for the purposes 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”, and  
“short service refund 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”,  
“pension protection lump sum death benefit”,  
“transfer lump sum death benefit”,  
“uncrystallised funds lump sum death benefit”, and  
“unsecured pension fund lump sum death benefit”,

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

### **Trivial commutation and winding-up lump sums**

636B) This section applies if—

- (a) a trivial commutation lump sum, or
- (b) 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 has not become entitled to any benefits under the pension scheme, the amount of the taxable pension income is 75% of the amount of the lump sum.

(4) In this section—

“trivial commutation lump sum”, and  
“winding-up lump sum”,

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

### Trivial commutation and winding-up lump sum death benefits

636(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).”

#### Textual Amendments

**F1417** Words in Sch. 31 para. 11 inserted (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), **5(1)(2)**

#### Commencement Information

**I176** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

12 Omit Chapter 16 (lump sums).

#### Commencement Information

**I177** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

13 In section 644(2) (pensions to which section 580 or 590 applies not a disablement pension), for “580 or 590” substitute “ 579A ”.

#### Commencement Information

**I178** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

14 (1) Section 683 of ITEPA 2003 (PAYE income) is amended as follows.

(2) In subsection (3), for the entries relating to sections 581, 584, 591, 596, 599 and 602 substitute— “ section 579B (pension under registered pension scheme), ”.

(3) In that subsection, insert at the end— “ section 636B (pension treated as arising from payment of trivial commutation lump sum or winding-up lump sum), section 636C (pension treated as arising from payment of trivial commutation or winding-up lump sum death benefit). ”

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(4) Omit subsection (4).

**Commencement Information**

**I179** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

15 In Part 2 of Schedule 1 to ITEPA 2003 (index of defined expressions) insert at the appropriate place—

“pension under a registered pension scheme (in Chapter 5A of Part 9) section 579D”.

**Commencement Information**

**I180** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

SCHEDULE 32

Section 216

REGISTERED PENSION SCHEMES: BENEFIT CRYSTALLISATION EVENTS—SUPPLEMENTARY

**Modifications etc. (not altering text)**

**C237** Sch. 32 modified (6.4.2006) by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\) Regulations 2006 \(S.I. 2006/207\)](#), regs. 1(1), **16**

**C238** Sch. 32 applied (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, **23(5)**

*General: meaning of “the relevant pension schemes”*

1 For the purposes of the benefit crystallisation events “the relevant pension schemes” means the registered pension schemes of which the individual is a member (or, in the case of benefit crystallisation event <sup>F1418</sup>5C <sup>F1419</sup>or 5D] or 7, was a member immediately before death).

**Textual Amendments**

**F1418** Words in Sch. 32 para. 1 inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 2 para. 24(2)**

**F1419** Words in Sch. 32 para. 1 inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), **Sch. 4 para. 7(a)**

**Commencement Information**

**I181** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

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*Post-75 events not generally benefit crystallisation events*

- 2 The only sort of event that constitutes a benefit crystallisation event in relation to the individual after the individual has reached the age of 75 is an event that constitutes benefit crystallisation event 3.

**Commencement Information**

**I182** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

*[<sup>F1420</sup>Avoiding double counting of refunded amounts of overseas transfer charge*

**Textual Amendments**

**F1420** Sch. 32 para. 2A and cross-heading inserted (with effect in accordance with Sch. 4 para. 25 of the amending Act) by Finance Act 2017 (c. 10), Sch. 4 para. 18

- 2A (1) This paragraph applies where an amount of overseas transfer charge is repaid (whether or not under section 244M) to the scheme administrator of one of the relevant pension schemes.
- (2) The amount crystallised by the first benefit crystallisation event that occurs in respect of the individual and a benefited scheme after receipt of the repayment is to be reduced (but not below nil) by the amount of the repayment.
- (3) If the amount of the repayment exceeds the reduction under sub-paragraph (2), the excess is to be set sequentially until exhausted against the amounts crystallised by subsequent benefit crystallisation events occurring in respect of the individual and a benefited scheme.
- (4) In sub-paragraphs (2) and (3) “benefited scheme” means—
- (a) the scheme to which the repayment is made, and
  - (b) any other pension scheme if as a result of a recognised transfer, or a chain of two or more recognised transfers, sums or assets representing the repayment are held for the purposes of, or represent rights under, that other scheme.]

*Benefit crystallisation events 1, 2 and 4: prevention of overlap*

- 3 (1) This paragraph applies for the purposes of benefit crystallisation event 2 if the scheme pension is funded (in whole or in part) by the [<sup>F1421</sup>application] of sums or assets representing the whole or part of the individual’s [<sup>F1422</sup>drawdown pension fund].
- (2) The amount crystallised by the event is to be reduced by the amount (or an appropriate proportion of the amount) previously crystallised on the designation of the sums or assets as available for the payment of [<sup>F1423</sup>drawdown pension].

**Textual Amendments**

**F1421** Word in Sch. 32 para. 3(1) substituted (6.4.2006) by Finance Act 2005 (c. 7), Sch. 10 paras. 25(2), 64(1)

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**F1422** Words in Sch. 32 para. 3(1) substituted (with effect in accordance with Sch. 16 paras. 85, 104(1) of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 80\(2\)\(a\)](#)

**F1423** Words in Sch. 32 para. 3(2) substituted (with effect in accordance with Sch. 16 paras. 85, 104(1) of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 80\(2\)\(b\)](#)

**Modifications etc. (not altering text)**

**C239** Sch. 32 para. 3(2) modified (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 104\(3\)\(a\)](#)

**Commencement Information**

**I183** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

*Benefit crystallisation events 1, 2 and 4: prevention of overlap*

- 4 (1) This paragraph applies for the purposes of benefit crystallisation event 4 [<sup>F1424</sup>if—
- (a) the lifetime annuity or a related dependants' annuity or a related nominees' annuity is, or
  - (b) the lifetime annuity and a related dependants' annuity are, or
  - (c) the lifetime annuity and a related nominees' annuity are, or
  - (d) a related dependants' annuity and a related nominees' annuity are, or
  - (e) the lifetime annuity and a related dependants' annuity and a related nominees' annuity are,
- purchased] (in whole or in part) with sums or assets representing the whole or part of the individual's [<sup>F1425</sup>drawdown pension fund][<sup>F1426</sup>or flexi-access drawdown fund].
- (2) The amount crystallised by the event is to be reduced by the amount (or an appropriate proportion of the amount) previously crystallised on the designation of the sums or assets as available for the payment of [<sup>F1427</sup>drawdown pension].

**Textual Amendments**

**F1424** Words in Sch. 32 para. 4(1) substituted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 4 para. 7\(b\)](#)

**F1425** Words in Sch. 32 para. 4(1) substituted (with effect in accordance with Sch. 16 paras. 85, 104(1) of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 80\(3\)\(a\)](#)

**F1426** Words in Sch. 32 para. 4(1) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 26](#)

**F1427** Words in Sch. 32 para. 4(2) substituted (with effect in accordance with Sch. 16 paras. 85, 104(1) of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 80\(3\)\(b\)](#)

**Modifications etc. (not altering text)**

**C240** Sch. 32 para. 4(2) modified (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 104\(3\)\(b\)](#)

**Commencement Information**

**I184** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

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*Benefit crystallisation events 1 and 5: hybrid arrangements*

- 5 (1) This paragraph applies where—
- (a) immediately before the individual reaches the age of 75, there is under any of the relevant pension schemes a hybrid arrangement relating to the individual, and
  - (b) the benefits that may be provided to or in respect of the individual under the arrangement may, depending on the circumstances, be money purchase benefits or defined benefits.
- (2) Benefit crystallisation event 1 applies as if, at that time, the circumstances are such that the benefits to be provided are money purchase benefits <sup>F1428</sup>....
- (3) Benefit crystallisation event 5 applies as if, at that time, the circumstances are such that the benefits to be provided are defined benefits.
- (4) The amount crystallised is the greater of the amounts crystallised by the two benefit crystallisation events.

**Textual Amendments**

**F1428** Words in Sch. 32 para. 5(2) omitted (with effect in accordance with Sch. 16 paras. 85, 104(1) of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 80\(4\)](#)

**Commencement Information**

**I185** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

*Benefit crystallisation events 2, 3 and 5: meaning of “RVF”*

- 6 For the purposes of benefit crystallisation events 2, 3 and 5 “RVF” is the relevant valuation factor (see section 276).

**Commencement Information**

**I186** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

*Benefit crystallisation events 2 and 4: early lifetime annuities*

- 7 (1) This paragraph has effect if—
- (a) the individual becomes entitled before reaching normal minimum pension age to the payment of a lifetime annuity purchased under a money purchase arrangement under any of the relevant pension schemes, and
  - (b) the ill-health condition is not satisfied immediately before the individual becomes so entitled.
- (2) Benefit crystallisation event 2 applies as if—
- (a) the lifetime annuity were a scheme pension under the pension scheme, and
  - (b) the individual becomes entitled to it only on reaching normal minimum pension age.

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- (3) Benefit crystallisation event 4 does not apply in relation to the lifetime annuity.
- [<sup>F1429</sup>(4) Sub-paragraph (5) has effect for the purposes of benefit crystallisation event 2 as it applies in relation to the individual's becoming entitled to the lifetime annuity.
- (5) If the total of—
- (a) the sums applied to purchase the lifetime annuity and any related dependants' annuity, and
  - (b) the market value, at the time they are applied, of the assets applied to make the purchase,
- is greater than the amount that would apart from this sub-paragraph be the amount crystallised by the event, that total is the amount crystallised by the event.]

#### Textual Amendments

**F1429** Sch. 32 para. 7(4)(5) inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 76(2) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 76\(1\)](#)

#### Commencement Information

**I187** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

#### *Benefit crystallisation event 2: early pensions*

- 8 For the purposes of benefit crystallisation event 2 if—
- (a) the individual becomes entitled to the pension before reaching normal minimum pension age, and
  - (b) the ill-health condition is not satisfied immediately before the individual becomes entitled to the pension,
- the individual is to be treated as becoming entitled to it only on reaching normal minimum pension age.

#### Commencement Information

**I188** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

#### *Benefit crystallisation event 2: meaning of “P”*

- 9 (1) For the purposes of benefit crystallisation event 2 “P” is the amount of the pension which will be payable to the individual in the period of 12 months beginning with the day on which the individual becomes entitled to it (assuming that it remains payable throughout that period at the rate at which it is payable on that day).
- [<sup>F1430</sup>(1A) If the pension is under a public service pension scheme, any abatement of the pension is to be left out of account in determining the amount of the pension which will be payable for the purposes of sub-paragraph (1).]
- (2) If the amount of the pension which will be payable [<sup>F1431</sup>is] reduced so as to reflect the amount of any tax under section 215 to be paid by the scheme administrator, that



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reduction is to be left out of account in determining the amount of the pension<sup>F1432</sup> ... for the purposes of sub-paragraph (1).

[<sup>F1433</sup>(3) And if the reduction is such that, in accordance with normal actuarial practice, it would be taken fully to reflect the amount of the tax, the tax is not to be treated as tax paid by the scheme administrator for the purposes of section 215(9).]

#### Textual Amendments

**F1430** Sch. 32 para. 9(1A) inserted (6.4.2006) by Finance Act 2005 (c. 7), Sch. 10 paras. 8(2), 64(1)

**F1431** Word in Sch. 32 para. 9(2) substituted (6.4.2006) by Finance Act 2005 (c. 7), Sch. 10 paras. 43(3)(a), 64(1)

**F1432** Words in Sch. 32 para. 9(2) repealed (6.4.2006) by Finance Act 2005 (c. 7), Sch. 10 paras. 43(3)(b), 64(1), Sch. 11 Pt. 4

**F1433** Sch. 32 para. 9(3) inserted (6.4.2006) by Finance Act 2005 (c. 7), Sch. 10 paras. 43(4), 64(1)

#### Modifications etc. (not altering text)

**C241** Sch. 32 para. 9(2) modified (6.4.2006) by The Registered Pension Schemes (Splitting of Schemes) Regulations 2006 (S.I. 2006/569), regs. 1(1), 3(1)(2), Sch. 3 Pt. 1

#### Commencement Information

**I189** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

### <sup>F1434</sup>Benefit crystallisation event 3: disregarding abatement

#### Textual Amendments

**F1434** Sch. 32 para. 9A and cross-heading inserted (6.4.2006) by Finance Act 2005 (c. 7), Sch. 10 paras. 8(3), 64(1)

- 9A For the purposes of benefit crystallisation event 3, any abatement of the scheme pension is to be left out of account in determining for the purposes of column 1—
- (a) the increased annual rate of the pension, and
  - (b) the rate at which it was payable on the day on which the individual became entitled to it.]

#### *Benefit crystallisation event 3: excepted circumstances*

- [<sup>F1435</sup>(1)] For the purposes of benefit crystallisation event 3 “excepted circumstances” means—
- (a) that at the time when the annual rate of the individual’s pension is increased there are at least 50 pensioner members of the pension scheme, and
  - [<sup>F1436</sup>(b) that the individual is one of a class of at least 20 pensioner members of the pension scheme, and all the scheme pensions being paid under the pension scheme to pensioner members of that class are at that time increased at the same rate.]

[<sup>F1437</sup>(2) A class may consist of all the pensioner members of the pension scheme.

(3) Sub-paragraph (4) applies where—

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- (a) the annual rate of the individual's pension is increased in excepted circumstances (“the excepted increase”),
  - (b) before the end of the period of 12 months beginning with the date of the excepted increase, the annual rate of the individual's pension is increased in circumstances which would (apart from that sub-paragraph) be excepted circumstances (“the subsequent increase”), and
  - (c) the class by virtue of which sub-paragraph (1)(b) is satisfied on the subsequent increase (“the new class”) is not the class by virtue of which it was satisfied on the excepted increase.
- (4) If the purpose, or one of the main purposes, of the individual's being included in the new class is to increase the annual rate of the individual's pension without benefit crystallisation event 3 occurring, the subsequent increase is not in excepted circumstances.]

#### Textual Amendments

**F1435**Sch. 32 para. 10 renumbered as Sch. 32 para. 10(1) (retrospective to 6.4.2006) by [Finance Act 2008 \(c. 9\)](#), [Sch. 29 paras. 7\(2\), 12\(3\)](#)

**F1436**Sch. 32 para. 10(1)(b) substituted (retrospective to 6.4.2006) by [Finance Act 2008 \(c. 9\)](#), [Sch. 29 paras. 7\(3\), 12\(3\)](#)

**F1437**Sch. 32 para. 10(2)-(4) inserted (retrospective to 6.4.2006) by [Finance Act 2008 \(c. 9\)](#), [Sch. 29 paras. 7\(4\), 12\(3\)](#)

#### Commencement Information

**I190** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

### <sup>F1438</sup>*Benefit crystallisation event 3: threshold annual rate*

#### Textual Amendments

**F1438**Sch. 32 para. 10A and cross-heading inserted (retrospective to 6.4.2006) by [Finance Act 2008 \(c. 9\)](#), [Sch. 29 paras. 8, 12\(3\)](#)

- 10A (1) This paragraph applies for the purposes of benefit crystallisation event 3.
- (2) The threshold annual rate is the annual rate of the pension on the date of which the increase date is the first anniversary, increased by the greatest of—
- (a) the relevant percentage rate,
  - (b) the relevant indexation percentage, and
  - (c) £250,
- and rounded up in accordance with sub-paragraph (8).
- (3) But if the person became entitled to the pension after the date of which the increase date is the first anniversary, the threshold annual rate is the annual rate of the pension on the date on which the person became entitled to the pension, increased and rounded up as mentioned in sub-paragraph (2).
- (4) The increase date is the date on which the individual becomes entitled to payment of the pension at the increased annual rate.

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- (5) The relevant percentage rate is—
- (a) in a case where the pension is paid under a pension scheme, or an arrangement under a pension scheme, in relation to which the relevant valuation factor is a number greater than 20, the rate agreed by the Commissioners for Her Majesty's Revenue and Customs and the scheme administrator, and
  - (b) otherwise, 5%.
- (6) The relevant indexation percentage means—
- (a) if the retail prices index for the reference month is higher than the retail prices index for the same calendar month in the previous year, the percentage increase in the retail prices index, and
  - (b) if it is not, 0%.
- (7) The scheme administrator may select as the reference month any month in the period of 12 months ending with the month in which the increase date falls.
- (8) An amount is rounded up in accordance with this sub-paragraph if it is rounded up to the next greatest amount which—
- (a) where the pension is payable monthly, gives an amount of whole pounds when divided by 12, or
  - (b) where the pension is payable weekly, gives an amount of whole pounds when divided by 52.
- (9) If the pension is under a public service pension scheme, any abatement of the pension is to be left out of account in determining for the purposes of this paragraph the annual rate of the pension on the date of which the increase date is the first anniversary (or, where sub-paragraph (3) applies, the date on which the person became entitled to the pension).
- (10) An individual who becomes entitled to payment of a scheme pension at an increased annual rate on 29 February in any year is to be treated for the purposes of this paragraph as having become so entitled on 28 February in that year.
- (11) The Treasury may by order substitute for the amount for the time being specified in sub-paragraph (2)(c) a different amount (including an amount to be calculated as a percentage of the standard lifetime allowance).]

*Benefit crystallisation event 3: permitted margin*

- 11 (1) This paragraph applies for the purposes of benefit crystallisation event 3 if the individual became entitled to the pension on or after 6th April 2006.
- (2) The permitted margin is the amount by which the annual amount of the pension at the rate at which it was payable on the day on which the individual became entitled to it would be greater if it had been increased by whichever of calculation A and calculation B gives the greater amount.
- (3) Calculation A involves increasing that annual amount at the relevant annual percentage rate for the whole of the period—
- (a) beginning with the month in which the individual became entitled to the pension, and

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- (b) ending with the month in which the individual becomes entitled to payment of the pension at the increased rate.
- (4) The relevant annual percentage rate is—
- (a) in a case where the pension is paid under a pension scheme, or an arrangement under a pension scheme, in relation to which the relevant valuation factor is a number greater than 20, the annual rate agreed by the Inland Revenue and the scheme administrator, and
- (b) otherwise, 5% per annum.
- (5) Calculation B involves increasing that annual amount by the relevant indexation percentage.
- (6) If the retail prices index for the [<sup>F1439</sup>reference month] is higher than it was for the [<sup>F1440</sup>base month], the relevant indexation percentage is the percentage increase in the retail prices index.
- (7) If it is not, the relevant indexation percentage is 0%.
- [<sup>F1441</sup>(7A) The scheme administrator may select as the reference month any month in the period of 12 months ending with the month in which the individual becomes entitled to payment of the pension at the increased rate.
- (7B) The base month is the month which is the same number of months before the month in which the individual became entitled to the pension, as the reference month is before the month in which the individual becomes entitled to payment of the pension at the increased rate.]
- [<sup>F1442</sup>(8) If the pension is under a public service pension scheme, any abatement of the pension is to be left out of account in determining for the purposes of this paragraph the annual amount of the pension at the rate at which it was payable on the day on which the individual became entitled to it.]

#### Textual Amendments

**F1439** Words in Sch. 32 para. 11(6) substituted (retrospective to 6.4.2008) by [Finance Act 2008 \(c. 9\)](#), [Sch. 29 paras. 9\(2\)\(a\)](#), 12(1)

**F1440** Words in Sch. 32 para. 11(6) substituted (retrospective to 6.4.2008) by [Finance Act 2008 \(c. 9\)](#), [Sch. 29 paras. 9\(2\)\(b\)](#), 12(1)

**F1441** Sch. 32 para. 11(7A)(7B) inserted (retrospective to 6.4.2008) by [Finance Act 2008 \(c. 9\)](#), [Sch. 29 paras. 9\(3\)](#), 12(1)

**F1442** Sch. 32 para. 11(8) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 8\(4\)](#), 64(1)

#### Commencement Information

**I191** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

#### *Benefit crystallisation event 3: permitted margin*

- 12 (1) This paragraph applies for the purposes of benefit crystallisation event 3 if the individual became entitled to the pension before 6th April 2006.
- (2) The permitted margin is the greater of—

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- (a) what would be the permitted margin at that time if the individual had become entitled to the pension on or after that date (see paragraph 11), and
  - (b) the amount by which the annual amount of the pension at the rate at which it was payable on the day on which the individual became entitled to it would be greater if it had been increased for the whole of the period specified in sub-paragraph (3) of that paragraph at the rate of P% per annum.
- (3) “P%” is the percentage by which, in accordance with the rules of the pension scheme immediately before 6th April 2006, the annual rate of the pension is to be increased each year.
- [<sup>F1443</sup>(4) If the pension is under a public service pension scheme, any abatement of the pension is to be left out of account in determining for the purposes of this paragraph the annual amount of the pension at the rate at which it was payable on the day on which the individual became entitled to it.]

#### Textual Amendments

**F1443**Sch. 32 para. 12(4) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 8\(5\)](#), 64(1)

#### Commencement Information

**I192** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

#### *Benefit crystallisation event 3: meaning of “XP”*

- 13 (1) For the purposes of benefit crystallisation event 3 “XP” is (subject to sub-paragraph (2)) the amount by which—
- (a) the increased annual rate of the pension, exceeds
  - (b) the rate at which it was payable on the day on which the individual became entitled to it, as increased by the permitted margin.
- [<sup>F1444</sup>(2) But if one or more benefit crystallisation events has or have previously occurred by reason of the individual having become entitled to payment of the pension at an increased rate, XP does not include the amount of XP on that event or the aggregate of the amounts of XP on those events.
- (2A) For the purposes of sub-paragraph (2), the amount of XP on a previous benefit crystallisation event is to be increased by whichever of calculation A and calculation B gives the greater amount.
- (2B) Calculation A involves increasing the amount of XP on the previous event at the relevant annual percentage rate for the whole of the period—
- (a) beginning with the month in which the previous event occurred, and
  - (b) ending with the month in which the individual becomes entitled to payment of the pension at the increased rate.
- (2C) The relevant annual percentage rate has the same meaning as in paragraph 11(4).
- (2D) Calculation B involves increasing the amount of XP on the previous event by the relevant indexation percentage.
- (2E) The relevant indexation percentage is—

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- (a) if the retail prices index for the reference month is higher than the retail prices index for the base month, the percentage increase in the retail prices index, and
  - (b) if it is not, 0%.
- (2F) The scheme administrator may select as the reference month any month in the period of 12 months ending with the month in which the individual becomes entitled to payment of the pension at the increased rate.
- (2G) The base month is the month which is the same number of months before the month in which the previous event occurred, as the reference month is before the month in which the individual becomes entitled to payment of the pension at the increased rate.]
- [<sup>F1445</sup>(3) If the pension is under a public service pension scheme, any abatement of the pension is to be left out of account in determining for the purposes of sub-paragraph (1)—
- (a) the increased annual rate of the pension, and
  - (b) the rate at which it was payable on the day on which the individual became entitled to it.]
- [<sup>F1446</sup>(4) If the rate at which the pension is payable is reduced so as to reflect the amount of any tax under section 215 to be paid by the scheme administrator, that reduction is to be left out of account in determining the rate at which the pension is payable for the purposes of sub-paragraph (1)(a).
- (5) And if the reduction is such that, in accordance with normal actuarial practice, it would be taken fully to reflect the amount of the tax, the tax is not to be treated as tax paid by the scheme administrator for the purposes of section 215(9).]

#### Textual Amendments

- F1444** Sch. 32 para. 13(2)-(2G) substituted for Sch. 32 para. 13(2) (retrospective and with effect in accordance with Sch. 29 para. 12(2) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 29 paras. 10, 12\(3\)](#)
- F1445** Sch. 32 para. 13(3) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 8\(6\), 64\(1\)](#)
- F1446** Sch. 32 para. 13(4)(5) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 43\(5\), 64\(1\)](#)

#### Modifications etc. (not altering text)

- C242** Sch. 32 para. 13(4)(5) modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), [regs. 1\(1\), 3\(1\)\(2\)](#), [Sch. 3 Pt. 1](#)

#### Commencement Information

- I193** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

#### *Benefit crystallisation event 5: meaning of “DP” and “DSLS”*

- 14 (1) For the purposes of benefit crystallisation event 5 “DP” is the annual rate of the scheme pension to which the individual would be entitled if, on the date on which the individual reaches 75, the individual acquired an actual (rather than a prospective) right to receive it.

- [<sup>F1447</sup>(1A) If the rate at which the scheme pension would be payable would be reduced so as to reflect the amount of any tax under section 215 to be paid by the scheme

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administrator, that reduction is to be left out of account in determining the rate at which the pension would be payable for the purposes of sub-paragraph (1).

(1B) And if the reduction is such that, in accordance with normal actuarial practice, it would be taken fully to reflect the amount of the tax, the tax is not to be treated as tax paid by the scheme administrator for the purposes of section 215(9).]

(2) For the purposes of benefit crystallisation event 5 “DSLS” is [<sup>F1448</sup>so much] of any lump sum to which the individual would be entitled (otherwise than by way of commutation of pension) [<sup>F1449</sup>as would be paid to the individual] if, on that date, the individual acquired an actual (rather than a prospective) right to receive it.

#### Textual Amendments

**F1447**Sch. 32 para. 14(1A)(1B) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 43\(7\)](#), 64(1)

**F1448**Words in Sch. 32 para. 14(2) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 43\(8\)\(a\)](#), 64(1)

**F1449**Words in Sch. 32 para. 14(2) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 43\(8\)\(b\)](#), 64(1)

#### Modifications etc. (not altering text)

**C243** Sch. 32 para. 14(1A)(1B) modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), [Sch. 3 Pt. 1](#)

#### Commencement Information

**I194** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

<sup>F1450</sup>*Benefit crystallisation event 5B: meaning of “remaining unused funds”*

#### Textual Amendments

**F1450**Sch. 32 para. 14A and cross-heading inserted (with effect in accordance with Sch. 16 paras. 85, 104(1) of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 44\(2\)](#)

14A For the purposes of benefit crystallisation event 5B “remaining unused funds” means—

- (a) in relation to a cash balance arrangement, a sum equal to what would, on the valuation assumption in section 277(a), be available for the provision of benefits to or in respect of the member if the member became entitled to them on reaching the age of 75, and
- (b) in relation to any other arrangement, such of the sums and assets held for the purposes of the arrangement as are not member-designated funds and have not been applied towards the provision of a scheme pension or a dependants' scheme pension.]

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*[<sup>F1451</sup>Benefit crystallisation [<sup>F1452</sup>events 5C and 5D]: meaning of “relevant two-year period”*

**Textual Amendments**

**F1451**Sch. 32 paras. 14B, 14C and cross-headings inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 24\(3\)](#)

**F1452**Words in Sch. 32 para. 14B cross-heading substituted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 4 para. 7\(c\)](#)

- 14B For the purposes of benefit crystallisation [<sup>F1453</sup>events 5C and 5D] “the relevant two-year period”, in relation to relevant unused uncrystallised funds held for the purposes of a money purchase arrangement relating to the individual under any of the relevant pension schemes, means the period of two years beginning with the earlier of the day on which the scheme administrator of the scheme first knew of the individual's death and the day on which the scheme administrator could first reasonably have been expected to have known of it.

**Textual Amendments**

**F1453**Words in Sch. 32 para. 14B substituted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 4 para. 7\(c\)](#)

*Benefit crystallisation [<sup>F1454</sup>events 5C and 5D]:  
 meaning of “relevant unused uncrystallised funds”*

**Textual Amendments**

**F1454**Words in Sch. 32 para. 14C cross-heading substituted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 4 para. 7\(d\)](#)

- 14C (1) For the purposes of benefit crystallisation [<sup>F1455</sup>events 5C and 5D], sums or assets held after the death of the individual for the purposes of a money purchase arrangement relating to the individual under any of the relevant pension schemes are relevant unused uncrystallised funds if—
- (a) they are unused uncrystallised funds, and
  - (b) the individual had not reached the age of 75 at the date of the individual's death.
- (2) Paragraph 27E(4) and (5) of Schedule 28 (meaning of “unused uncrystallised funds”) apply for the purposes of sub-paragraph (1)(a), but as if references to the member were references to the individual.]

**Textual Amendments**

**F1455**Words in Sch. 32 para. 14C(1) substituted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 4 para. 7\(d\)](#)

*Benefit crystallisation event 6: meaning of “relevant lump sum”*

- 15 For the purposes of benefit crystallisation event 6 a lump sum is a relevant lump sum if it is—



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- (a) a pension commencement lump sum,
- (b) a serious ill-health lump sum,
- [<sup>F1456</sup>(ba) an uncrystallised funds pension lump sum,] or
- (c) a lifetime allowance excess lump sum.

#### Textual Amendments

**F1456**Sch. 32 para. 15(ba) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 61**

#### Modifications etc. (not altering text)

**C244** Sch. 32 para. 15 modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), **25(1)(2)(5)**

#### Commencement Information

**I195** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

### *[<sup>F1457</sup>Benefit crystallisation event 6: prevention of overlap with other events*

#### Textual Amendments

**F1457**Sch. 32 para. 15A and cross-heading inserted (with effect in accordance with Sch. 16 paras. 85, 104(1) of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 44(3)**

- 15A Benefit crystallisation event 6 does not apply in relation to a pension commencement lump sum paid in respect of a money purchase arrangement if—
- (a) the individual becomes entitled to it before reaching the age of 75, but
  - (b) it is not paid to the individual until after the individual has reached that age.]

### *Benefit crystallisation event 7: meaning of “relevant lump sum death benefit”*

- 16 For the purposes of benefit crystallisation event 7 a lump sum death benefit is a relevant lump sum death benefit<sup>[F1458]</sup>, other than one—
- (i) paid by a registered pension scheme 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
  - (ii) not paid before the end of the relevant two-year period]
- if it is—
- (a) a defined benefits lump sum death benefit, or
  - (b) an uncrystallised funds lump sum death benefit<sup>[F1459]</sup>, other than one—
    - (i) paid by a registered pension scheme 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
    - (ii) not paid before the end of the relevant two-year period].

<sup>[F1460]</sup>In <sup>[F1461]</sup>paragraphs (a)(ii) and] (b)(ii) “the relevant two-year period”, in relation to a member of a registered pension scheme, means the period of two years beginning with the earlier of the day on which the scheme administrator of the

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scheme first knew of the member's death and the day on which the scheme administrator could first reasonably have been expected to have known of it.]

#### Textual Amendments

**F1458** Words in Sch. 32 para. 16 inserted (with effect in accordance with s. 21(10) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), **s. 21(7)(a)**

**F1459** Words in Sch. 32 para. 16(b) inserted (17.12.2014) (with application in accordance with Sch. 2 para. 20 of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 2 para. 19(2)(a)**

**F1460** Words in Sch. 32 para. 16 inserted (17.12.2014) (with application in accordance with Sch. 2 para. 20 of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 2 para. 19(2)(b)**

**F1461** Words in Sch. 32 para. 16 substituted (with effect in accordance with s. 21(10) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), **s. 21(7)(b)**

#### Commencement Information

**I196** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

#### *Benefit crystallisation event 8: prevention of overlap with other events*

- 17 (1) This paragraph applies for the purposes of benefit crystallisation event 8.
- (2) Where any of the sums or assets transferred represent the whole or part of the individual's [<sup>F1462</sup>drawdown pension fund][<sup>F1463</sup>or flexi-access drawdown fund], the amount crystallised by the event is to be reduced by the amount (or the appropriate proportion of the amount) previously crystallised on the designation of the sums or assets as available for the payment of [<sup>F1464</sup>drawdown pension].
- (3) Where after the transfer a scheme pension to which the individual has become entitled before the transfer is to be payable out of sums or assets transferred, the amount crystallised by the event is to be reduced by the amount (or the appropriate proportion of the amount) previously crystallised in relation to the scheme pension.

#### Textual Amendments

**F1462** Words in Sch. 32 para. 17(2) substituted (with effect in accordance with Sch. 16 paras. 85, 104(1) of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 80(5)(a)**

**F1463** Words in Sch. 32 para. 17(2) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 27**

**F1464** Words in Sch. 32 para. 17(2) substituted (with effect in accordance with Sch. 16 paras. 85, 104(1) of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 80(5)(b)**

#### Modifications etc. (not altering text)

**C245** Sch. 32 para. 17(2) modified (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 104(3)(c)**

#### Commencement Information

**I197** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

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## SCHEDULE 33

Section 243

### OVERSEAS PENSION SCHEMES: MIGRANT MEMBER RELIEF

#### *Relief for members' etc. contributions*

- 1
- (1) An individual who is a relevant migrant member of a qualifying overseas pension scheme is entitled to relief under section 188 (relief for contributions by or on behalf of members of registered pension schemes) in respect of relievable pension contributions paid during a tax year if the individual—
    - (a) has relevant UK earnings chargeable to income tax for that year,
    - (b) is resident in the United Kingdom when the contributions are paid, and
    - (c) has notified the scheme manager of an intention to claim relief under that section.
  - (2) Section 190 (annual limit for relief under section 188) applies in relation to the aggregate of the amount of relief to which an individual is entitled under section 188 by virtue of sub-paragraph (1) and any to which the individual is so entitled apart from that sub-paragraph.
  - (3) Relief to which an individual is entitled under section 188 by virtue of sub-paragraph (1) is to be given in accordance with section 194 (relief on making of claim) (so that nothing in sections 191 to 193 applies in relation to such relief).
  - (4) Section 195 (transfer of certain shares to be treated as payment of contribution) has effect as if the references to sections 188 to 194 included sections 188 to 190 and 194 as they apply by virtue of this paragraph.
  - (5) No deduction may be allowed under Chapter 2 of Part 5 of ITEPA 2003 in accordance with section 355 of that Act (deductions for corresponding payments by non-domiciled employees with foreign employers) in respect of contributions under a pension scheme (but subject to Part 4 of Schedule 36).

#### **Commencement Information**

**I198** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

#### *Relief for employers' contributions*

- 2
- (1) Subsections (2) to (5) of section 196 (relief for contributions by employer) apply in relation to relevant migrant member contributions paid by an employer as in relation to contributions paid by an employer under a registered pension scheme in respect of an individual.
  - (2) Section 200 (no other relief for employers in connection with contributions) applies as if the reference to contributions under a registered pension scheme included relevant migrant member contributions.
  - (3) “Relevant migrant member contributions” means contributions paid under a qualifying overseas pension scheme in respect of an individual who is a relevant migrant member of the pension scheme in relation to the contributions.

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#### Commencement Information

**I199** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

3 In ITEPA 2003, after section 308 insert—

#### “308A Exemption of contributions to overseas pension scheme

- (1) No liability to income tax arises in respect of earnings where an employer makes contributions under a qualifying overseas pension scheme in respect of an employee who is a relevant migrant member of the pension scheme.
- (2) In subsection (1)—
- “qualifying overseas pension scheme”, and  
“relevant migrant member”,  
have the same meaning as in Schedule 33 to FA 2004 (overseas pension schemes: migrant member relief).”

#### Commencement Information

**I200** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

#### *Meaning of “relevant migrant member”*

- 4<sup>[F1465]</sup>(1) For the purposes of this Schedule an individual who is a member of an overseas pension scheme is a relevant migrant member of the pension scheme, in relation to any contributions, if the individual—
- (a) was not resident in the United Kingdom when first a member of the pension scheme,
  - (b) was a member of the pension scheme at the beginning of the period of residence in the United Kingdom which includes the time when the contributions are paid,
  - (c) <sup>[F1466]</sup>either] was, immediately before the beginning of that period of residence, entitled to tax relief in respect of contributions paid under the pension scheme under the law of the country or territory in which the individual was then resident <sup>[F1467]</sup>or meets such other condition as may be prescribed by regulations made by the Board of Inland Revenue], and
  - (d) has been notified by the scheme manager that information concerning events that are benefit crystallisation events in relation to the individual and the pension scheme will be given to the Inland Revenue.
- <sup>[F1468]</sup>(2) The Commissioners for Her Majesty's Revenue and Customs may by regulations provide that, in circumstances prescribed by the regulations, paragraphs (a), (b) and (c) of sub-paragraph (1) have effect as if the references in those paragraphs to the pension scheme were to either the pension scheme or such other pension scheme as is prescribed by the regulations.
- (3) Regulations under sub-paragraph (2) may include provision having effect in relation to times before they are made.]

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#### Textual Amendments

**F1465**Sch. 33 para. 4 renumbered as Sch. 33 para. 4(1) (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 32\(2\)](#)

**F1466**Word in Sch. 33 para. 4(1)(c) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 46\(a\)](#), 64(1)

**F1467**Words in Sch. 33 para. 4(1)(c) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 46\(b\)](#), 64(1)

**F1468**Sch. 33 para. 4(2)(3) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 32\(3\)](#)

#### Commencement Information

**I201** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

#### *Meaning of “qualifying” overseas pension scheme*

- 5 (1) For the purposes of this Schedule an overseas pension scheme is a qualifying overseas pension scheme if—
- (a) the scheme manager has given to the Inland Revenue notification that it is an overseas pension scheme and has provided any such evidence that it is an overseas pension scheme as the Inland Revenue may require,
  - (b) the scheme manager has undertaken to the Inland Revenue to inform the Inland Revenue if it ceases to be an overseas pension scheme,
  - (c) the scheme manager has undertaken to the Inland Revenue to comply with any prescribed benefit crystallisation information requirements imposed on the scheme manager, and
  - (d) the overseas pension scheme is not excluded from being a qualifying overseas pension scheme by sub-paragraph (3).
- (2) In sub-paragraph (1)(c) “prescribed benefit crystallisation information requirements” means requirements imposed by or under regulations made by the Board of Inland Revenue to provide to the Inland Revenue any information relating to events that are benefit crystallisation events in relation to members of the pension scheme who have at any time been relevant migrant members of the pension scheme.
- [<sup>F1469</sup>(2A) In sub-paragraph (2) “information relating to events that are benefit crystallisation events”, in relation to any individuals, includes (in particular) information relating to occasions that are, or could (depending on their relative timing) be, the occasions on which the individuals first flexibly access pension rights for the purposes of sections 227B to 227F.]
- (3) An overseas pension scheme is excluded from being a qualifying overseas pension scheme if the Inland Revenue has decided that—
- (a) there has been a failure to comply with any prescribed benefit crystallisation information requirements imposed on the scheme manager and the failure is significant, and
  - (b) by reason of the failure it is not appropriate that relief from tax should be given in respect of contributions under the pension scheme,
- and has notified the person or persons appearing to be the scheme manager of that decision (but subject to sub-paragraph (5) and paragraph 6).
- (4) A failure to comply with prescribed benefit crystallisation information requirements is significant if—

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- (a) the amount of information which has not been provided is substantial, or
  - (b) the failure to provide the information is likely to result in serious prejudice to the assessment or collection of tax.
- (5) The Inland Revenue —
- (a) may at any time after an overseas pension scheme becomes excluded from being a qualifying overseas pension scheme decide that the pension scheme is to cease to be so excluded, and
  - (b) must notify the scheme manager of the decision.

#### Textual Amendments

**F1469**Sch. 33 para. 5(2A) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 94](#)

#### Commencement Information

**I202** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

- 6 (1) This paragraph applies where an overseas pension scheme is excluded from being a qualifying overseas pension scheme by a decision of the Inland Revenue under paragraph 5(3).
- (2) The scheme manager may appeal against the decision.
- <sup>F1470</sup>(3) . . . . .
- <sup>F1470</sup>(4) . . . . .
- (5) An appeal under this paragraph against a decision must be brought within the period of 30 days beginning with the day on which the notification of the decision was given.
- (6) [<sup>F1471</sup>If an appeal under this paragraph is notified to the tribunal, the tribunal] must consider whether the overseas pension scheme ought to have been excluded from being a qualifying overseas pension scheme.
- (7) If [<sup>F1472</sup>the tribunal decides] that the overseas pension scheme ought to have been excluded from being a qualifying overseas pension scheme, [<sup>F1472</sup>the tribunal must] dismiss the appeal.
- (8) If [<sup>F1473</sup>the tribunal decides] that the overseas pension scheme ought not to have been excluded from being a qualifying overseas pension scheme, the pension scheme is to be treated as having remained a qualifying overseas pension scheme (but subject to any further appeal <sup>F1474</sup>...).

#### Textual Amendments

**F1470**Sch. 33 para. 6(3)(4) omitted (1.4.2009) by virtue of [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 435\(2\)](#)

**F1471**Words in Sch. 33 para. 6(6) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 435\(3\)](#)

**F1472**Words in Sch. 33 para. 6(7) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 435\(4\)](#)

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**F1473** Words in Sch. 33 para. 6(8) substituted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 435(5)(a)**

**F1474** Words in Sch. 33 para. 6(8) omitted (1.4.2009) by virtue of [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 435(5)(b)**

**Commencement Information**

**I203** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

SCHEDULE 34

Section 244

NON-UK SCHEMES: APPLICATION OF CERTAIN CHARGES

**Modifications etc. (not altering text)**

**C246** Sch. 34 modified (6.4.2006) by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\) Regulations 2006 \(S.I. 2006/207\)](#), regs. 1(1), **17**

*Member payment charges*

- 1 (1) For the purposes of the member payment charges the member payment provisions apply in relation to payments made (or treated by this Part as made) to or in respect of—
- (a) a relieved member of a relevant non-UK scheme, or
  - (b) a transfer member of such a scheme,
- as in relation to payments made (or treated by this Part as made) to or in respect of a member of a registered pension scheme.
- (2) Sub-paragraph (1) has effect subject to the provision made by and under paragraphs 2 to 7.
- (3) “The member payment charges” are—
- (a) the unauthorised payments charge [<sup>F1475</sup>(except as imposed by virtue of section 174A (taxable property held by investment-regulated pension schemes))],
  - (b) the unauthorised payments surcharge,
  - (c) the short service refund lump sum charge,
  - <sup>F1476</sup>(ca) .....
  - (d) the special lump sum death benefits charge,
  - <sup>F1477</sup>(da) the charges under section 636A(1A) and (1B) of ITEPA 2003 (uncrystallised funds pension lump sums),]
  - <sup>F1478</sup>(db) the charge under section 636A(4ZA) of ITEPA 2003 (certain payments of lump sum death benefits),]and
  - (e) the charges under sections 636B and 636C of ITEPA 2003 (trivial commutation and winding-up lump sums and lump sum death benefits) (inserted by Schedule 31).
- (4) “The member payment provisions” are<sup>F1479</sup>—

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- (a)] the provisions of this Part [<sup>F1480</sup>(apart from the taxable property provisions)] relating to payments made (or treated by this Part as made) to or in respect of a member of a registered pension scheme<sup>F1481</sup>, and
- (b) section 636A(1A) to (1C) [<sup>F1482</sup>and (4ZA) and section 636AA] of ITEPA 2003.]
- (5) A scheme is a relevant non-UK scheme if—
- (a) relief from tax has been given in respect of contributions paid under the scheme by virtue of Schedule 33 (overseas pension schemes: migrant member relief),
  - (b) relief from tax has been so given at any time after 5th April 2006 under double tax arrangements,
  - (c) a member of the scheme has been, or members of the scheme have been, exempt from liability to tax by virtue of section 307 of ITEPA 2003 (exemption for provision made by employer for retirement or death benefit) in respect of provision made under the scheme at any time after 5th April 2006 when the scheme was an overseas pension scheme, or
  - (d) there has been a relevant transfer at any time after 5th April 2006 when the scheme was a qualifying recognised overseas pension scheme.
- (6) “A relevant transfer” means a (direct or indirect) transfer of sums or assets held for the purposes of, or representing accrued rights under, an arrangement made under—
- (a) a registered pension scheme, or
  - (b) another scheme which is a relevant non-UK scheme,
- in relation to a member so as to become held for the purposes of, or to represent rights under, an arrangement under the scheme relating to the member; <sup>F1483</sup> ...
- <sup>F1484</sup>(6A) There are three types of relevant transfer—
- (a) an original relevant transfer,
  - (b) a subsequent relevant transfer, and
  - (c) any other (including, in particular, all relevant transfers before 9 March 2017).
- (6B) “An original relevant transfer” is—
- (a) a relevant transfer within sub-paragraph (6)(a) made on or after 9 March 2017,
  - (b) a relevant transfer within sub-paragraph (6)(b), made on or after 9 March 2017, of the whole or part of the UK tax-relieved fund of a relieved member of a qualifying recognised overseas pension scheme, or
  - (c) a relevant transfer within sub-paragraph (6)(b), made on or after 6 April 2017, of the whole or part of the UK tax-relieved fund of a relieved member of a relevant non-UK scheme that is not a qualifying recognised overseas pension scheme.
- (6C) The sums or assets transferred as a result of an original relevant transfer constitute a ring-fenced transfer fund, and the key date for that fund is the date of the transfer.
- (6D) Where in the case of a ring-fenced transfer fund (“the source fund”) there is a relevant transfer of the whole or part of the fund—
- (a) the sums or assets transferred as a result of the transfer constitute a ring-fenced transfer fund,



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- (b) that fund has the same key date as the source fund, and
  - (c) the transfer is “a subsequent relevant transfer”, and is not an original relevant transfer.
- (6E) Sub-paragraph (6D) applies whether the source fund is a ring-fenced transfer fund as a result of sub-paragraph (6C) or as a result of sub-paragraph (6D).
- (6F) The Commissioners for Her Majesty's Revenue and Customs may by regulations provide that sums or assets identified in accordance with the regulations are not included in a ring-fenced transfer fund as a result of sub-paragraph (6C) or (6D)(a).]
- (7) A member of a relevant non-UK scheme is a relieved member of the scheme if—
- (a) any of the contributions in respect of which relief has been given as mentioned in sub-paragraph (5)(a) or (b) were contributions paid by or on behalf of, or in respect of, the member, or
  - (b) the member is the member, or one of the members, who has been exempt from liability to tax as mentioned in sub-paragraph (5)(c).
- (8) A member of a relevant non-UK scheme is a transfer member of the scheme if a relevant transfer related to the member.

#### Textual Amendments

- F1475** Words in Sch. 34 para. 1(3)(a) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 158\(2\), Sch. 21 para. 14\(2\)\(a\)](#)
- F1476** Sch. 34 para. 1(3)(ca) omitted (with effect in accordance with Sch. 5 para. 4 of the amending Act) by virtue of [Finance Act 2016 \(c. 24\), Sch. 5 para. 3\(1\)\(d\)\(i\)](#)
- F1477** Sch. 34 para. 1(3)(da) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\), Sch. 1 para. 95\(2\)](#)
- F1478** Sch. 34 para. 1(3)(db) inserted (with effect in accordance with s. 22(12) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\), s. 22\(10\)\(a\)](#)
- F1479** Words in Sch. 34 para. 1(4) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\), Sch. 1 para. 95\(3\)\(a\)](#)
- F1480** Words in Sch. 34 para. 1(4) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 158\(2\), Sch. 21 para. 14\(2\)\(b\)](#)
- F1481** Sch. 34 para. 1(4)(b) and preceding word inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\), Sch. 1 para. 95\(3\)\(b\)](#)
- F1482** Words in Sch. 34 para. 1(4)(b) inserted (with effect in accordance with s. 22(12) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\), s. 22\(10\)\(b\)](#)
- F1483** Words in Sch. 34 para. 1(6) repealed (19.7.2007) (with effect in accordance with Sch. 19 para. 29(3) of the amending Act) by [Finance Act 2007 \(c. 11\), Sch. 19 para. 18\(2\), Sch. 27 Pt. 3\(1\)](#)
- F1484** Sch. 34 para. 1(6A)-(6F) inserted (retrospective to 9.3.2017) by [Finance Act 2017 \(c. 10\), Sch. 4 paras. 2\(2\), 8](#)

#### Commencement Information

- I204** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

- 2<sup>[F1485]</sup>(1) The member payment provisions do not apply in relation to a payment made (or treated by this Part as made) to or in respect of a relieved member or transfer member of a relevant non-UK scheme <sup>[F1486]</sup>so far as it is referable to 5-year rule funds] unless the member—
- (a) is resident in the United Kingdom when the payment is made (or treated as made), or

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- (b) although not resident in the United Kingdom at that time, has been resident in the United Kingdom earlier in the tax year in which the payment is made (or treated as made) or in any of the five tax years immediately preceding that tax year.
- [<sup>F1487</sup>(2) The member payment provisions do not apply in relation to a payment made (or treated by this Part as made) to or in respect of a relieved member of a relevant non-UK scheme so far as it is referable to 10-year rule funds unless the member—
- (a) is resident in the United Kingdom when the payment is made (or treated as made), or
  - (b) although not resident in the United Kingdom at that time, has been resident in the United Kingdom earlier in the tax year in which the payment is made (or treated as made) or in any of the 10 tax years immediately preceding that year.
- (3) The member payment provisions do not apply in relation to a payment made (or treated by this Part as made) to or in respect of a transfer member of a relevant non-UK scheme, so far as it is referable to any particular ring-fenced transfer fund of the member's under the scheme which has a key date of 6 April 2017 or later, unless—
- (a) the member is resident in the United Kingdom when the payment is made (or treated as made), or
  - (b) although the member is not resident in the United Kingdom at that time—
    - (i) the member has been resident in the United Kingdom earlier in the tax year containing that time, or
    - (ii) the member has been resident in the United Kingdom in any of the 10 tax years immediately preceding the tax year containing that time, or
    - (iii) that time is no later than the end of 5 years beginning with the key date for the particular fund.
- (4) In this paragraph—
- “5-year rule funds”, in relation to a payment to or in respect of a relieved member of a relevant non-UK scheme, means so much of the member's UK tax-relieved fund under the scheme as represents tax-relieved contributions, or tax-exempt provision, made under the scheme before 6 April 2017;
- “5-year rule funds”, in relation to a payment to or in respect of a transfer member of a relevant non-UK scheme, means—
- (a) the member's relevant transfer fund under the scheme, and
  - (b) any of the member's ring-fenced transfer funds under the scheme that has a key date earlier than 6 April 2017;
- “10-year rule funds”, in relation to a payment to or in respect of a relieved member of a relevant non-UK scheme, means so much of the member's UK tax-relieved fund under the scheme as represents tax-relieved contributions, or tax-exempt provision, made under the scheme on or after 6 April 2017.
- (5) See also—
- paragraph 1(6C), (6D) and (6F) (meaning of “ring-fenced transfer fund”), paragraph 3 (meaning of “UK tax-relieved fund”, “tax-relieved contributions” and “tax-exempt provision” etc), and paragraph 4 (meaning of “relevant transfer fund” etc).]

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### Textual Amendments

**F1485**Sch. 34 para. 2 renumbered as Sch. 34 para. 2(1) (with application in accordance with Sch. 4 para. 8 of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 4 para. 3\(2\)](#)

**F1486**Words in Sch. 34 para. 2(1) inserted (with application in accordance with Sch. 4 para. 8 of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 4 para. 3\(3\)](#)

**F1487**Sch. 34 para. 2(2)-(5) inserted (with application in accordance with Sch. 4 para. 8 of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 4 para. 3\(4\)](#)

### Commencement Information

**I205** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

- 3
- (1) The member payment provisions do not apply in relation to a payment made (or treated by this Part as made) to or in respect of a relieved member of a relevant non-UK scheme unless the payment is referable to the member's UK tax-relieved fund under the scheme.
  - (2) A member's UK tax-relieved fund under a relevant non-UK scheme is so much of—
    - (a) the sums or assets held for the purposes of, or representing accrued rights under, the scheme as, in accordance with regulations made by the Board of Inland Revenue, represents
    - (b) any tax-relieved contributions made under the scheme by or on behalf of, or in respect of, the member and any tax-exempt provision made under the scheme in relation to the member.
  - (3) "Tax-relieved contributions" means contributions in respect of which relief from tax—
    - (a) has been given by virtue of Schedule 33 (overseas pension schemes: migrant member relief), or
    - (b) has been given at any time after 5th April 2006 under double tax arrangements.
  - (4) "Tax-exempt provision" means provision in respect of which exemption from tax has been given by virtue of section 307 of ITEPA 2003 (exemption for provision made by employer for retirement or death benefit) at any time after 5th April 2006 when the scheme was an overseas pension scheme.
  - (5) Regulations under sub-paragraph (2) may (in particular) provide that the sums or assets which represent any tax-relieved contributions or tax-exempt provision are to be determined otherwise than by reference to the actual amount of the contributions or the amount or value of the provision (for instance by reference to the increase in the value of the member's rights under the scheme during a period for which relief or exemption in respect of such contributions or provision was given).
- [<sup>F1488</sup>(5A) The Commissioners for Her Majesty's Revenue and Customs may by regulations provide that, in circumstances specified in the regulations, something specified in the regulations is to be treated as done by, to, in respect of or in the case of a relieved member of a relevant non-UK scheme.]
- (6) Regulations made by the Board of Inland Revenue may make provision for determining whether or not payments made (or treated as made) by [<sup>F1489</sup>, or other things done by or to or under or in respect of or in the case of,] a relevant non-UK

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scheme are to be treated as referable to a member's UK tax-relieved fund under the scheme (and so whether or not they reduce the fund).

[<sup>F1490</sup>(7) The provision which may be made under sub-paragraph (6) includes (in particular) provision in consequence of Part 7A of ITEPA 2003.]

[<sup>F1491</sup>(8) Where regulations under sub-paragraph (6) make provision for a payment or something else to be treated as referable to a member's UK tax-relieved fund under a scheme, regulations under that sub-paragraph may make provision for the payment or thing, or any part or aspect of the payment or thing, also to be treated as referable to a particular part of that fund.]

#### Textual Amendments

**F1488**Sch. 34 para. 3(5A) inserted (retrospective to 9.3.2017) by Finance Act 2017 (c. 10), Sch. 4 paras. 4(2), 8

**F1489**Words in Sch. 34 para. 3(6) inserted (retrospective to 9.3.2017) by Finance Act 2017 (c. 10), Sch. 4 paras. 4(3), 8

**F1490**Sch. 34 para. 3(7) inserted (with effect in accordance with Sch. 2 paras. 52-59 of the amending Act) by Finance Act 2011 (c. 11), Sch. 2 para. 51

**F1491**Sch. 34 para. 3(8) inserted (retrospective to 9.3.2017) by Finance Act 2017 (c. 10), Sch. 4 paras. 4(4), 8

#### Commencement Information

**I206** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

- 4 (1) The member payment provisions do not apply in relation to a payment made (or treated by this Part as made) to or in respect of a transfer member of a relevant non-UK scheme unless it is referable to the member's relevant transfer fund [<sup>F1492</sup>, or ring-fenced transfer funds,] under the scheme.
- (2) A member's relevant transfer fund under a relevant non-UK scheme is [<sup>F1493</sup>, subject to sub-paragraph (3A),] so much of—
- the sums or assets held for the purposes of, or representing accrued rights under, the scheme as, in accordance with regulations made by the Board of Inland Revenue, represents
  - relevant transferred sums or assets.
- (3) "Relevant transferred sums or assets" means sums or assets held for the purposes of, or representing accrued rights under, an arrangement under—
- a registered pension scheme, or
  - another scheme which is a relevant non-UK scheme,
- which at any time after 5th April 2006 when the scheme was an overseas pension scheme have been transferred (directly or indirectly) so as to become held for the purposes of, or to represent rights under, an arrangement under the scheme relating to the member; <sup>F1494</sup> ...
- [<sup>F1495</sup>(3A) The member's relevant transfer fund under the scheme does not include sums or assets that are in any of the member's ring-fenced transfer funds under the scheme.]
- (4) Regulations made by the Board of Inland Revenue may make provision for determining whether payments or transfers made (or treated as made) by [<sup>F1496</sup>, or other things done by or to or under or in respect of or in the case of,] a relevant non-

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UK scheme are to be treated as referable to a member's relevant transfer fund under the scheme (and so whether or not they reduce the fund).

[<sup>F1497</sup>(5) The Commissioners for Her Majesty's Revenue and Customs may by regulations provide that, in circumstances specified in the regulations, something specified in the regulations is to be treated as done by, to, in respect of or in the case of a transfer member of a relevant non-UK scheme.

(6) Regulations made by the Commissioners for Her Majesty's Revenue and Customs may make provision for determining whether payments or transfers made (or treated as made) by, or other things done by or to or under or in respect of or in the case of, a relevant non-UK scheme are to be treated as referable to a member's ring-fenced transfer funds under the scheme (and so whether or not they reduce the funds or any of them).

(7) Where regulations under sub-paragraph (6) make provision for a payment or transfer or something else to be treated as referable to a member's ring-fenced transfer funds under a scheme, regulations under that sub-paragraph may make provision for the payment or transfer or other thing, or any part or aspect of the payment or transfer or thing, also to be treated as referable to a particular one of those funds.]

#### Textual Amendments

**F1492** Words in Sch. 34 para. 4(1) inserted (retrospective to 9.3.2017) by [Finance Act 2017 \(c. 10\)](#), [Sch. 4 paras. 5\(2\), 8](#)

**F1493** Words in Sch. 34 para. 4(2) inserted (retrospective to 9.3.2017) by [Finance Act 2017 \(c. 10\)](#), [Sch. 4 paras. 5\(3\), 8](#)

**F1494** Words in Sch. 34 para. 4(3) repealed (19.7.2007) (with effect in accordance with Sch. 19 para. 29(3) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), [Sch. 19 para. 18\(3\)](#), [Sch. 27 Pt. 3\(1\)](#)

**F1495** Sch. 34 para. 4(3A) inserted (retrospective to 9.3.2017) by [Finance Act 2017 \(c. 10\)](#), [Sch. 4 paras. 5\(4\), 8](#)

**F1496** Words in Sch. 34 para. 4(4) inserted (retrospective to 9.3.2017) by [Finance Act 2017 \(c. 10\)](#), [Sch. 4 paras. 5\(5\), 8](#)

**F1497** Sch. 34 para. 4(5)-(7) inserted (retrospective to 9.3.2017) by [Finance Act 2017 \(c. 10\)](#), [Sch. 4 paras. 5\(6\), 8](#)

#### Commencement Information

**I207** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

<sup>F1498</sup>4A . . . . .

#### Textual Amendments

**F1498** Sch. 34 para. 4A omitted (6.4.2015) by virtue of [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 32\(1\)\(f\)\(4\)](#)

5 [ <sup>F1499</sup>Sections 205 to 206] (short service refund lump sum charge<sup>F1500</sup>... and special lump sum death benefits charge) apply with respect to a lump sum or lump sum death benefit paid to or in respect of—  
(a) a relieved member of a relevant non-UK scheme, or  
(b) a transfer member of such a scheme,

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so as to make the person to whom the lump sum or lump sum death benefit is paid (rather than the scheme administrator) liable to any charge imposed by either of those sections.

#### Textual Amendments

**F1499** Words in Sch. 34 para. 5 substituted (with effect in accordance with Sch. 16 paras. 85, 102 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 81\(4\)\(a\)](#)

**F1500** Words in [Sch. 34 para. 5](#) omitted (with effect in accordance with Sch. 5 para. 4 of the amending Act) by virtue of [Finance Act 2016 \(c. 24\)](#), [Sch. 5 para. 3\(1\)\(d\)\(ii\)](#)

#### Modifications etc. (not altering text)

**C247** Sch. 34 para. 5 modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), [regs. 1\(1\), 3\(1\)\(2\)](#), [Sch. 3 Pt. 1](#)

#### Commencement Information

**I208** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

**[<sup>F1501</sup>5A]** (1) Sub-paragraph (2) applies if—

- (a) a payment is made (or treated by this Part as made) to or in respect of a relieved member or transfer member of a relevant non-UK scheme, and
- (b) there is an amount of tax under a member payment charge that would be payable in respect of the payment, or part of the payment, but for the operation of double taxation arrangements.

(2) The payment or (as the case may be) that part of it—

- (a) is “pension” for the purposes of Chapter 4 of Part 9 of ITEPA 2003 (foreign pensions), and
- (b) is to be treated as included in the list, in section 576A of ITEPA 2003, of payments that are “relevant withdrawals” for the purposes of that section.]

#### Textual Amendments

**F1501** Sch. 34 para. 5A inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 95\(4\)](#)

6 (1) The amount of any liability to tax imposed on any individual in relation to a payment by virtue of the operation of the member payment charges in consequence of paragraph 1 [<sup>F1502</sup>, or by virtue of the operation of Chapter 4 of Part 9 of ITEPA 2003 in consequence of paragraph 5A,] is to be reduced by the amount of any tax paid in respect of the payment under the law of any country or territory outside the United Kingdom.

(2) Where, after any tax which an individual is liable to pay in respect of a payment in consequence of paragraph 1 [<sup>F1503</sup> or 5A] has been paid, tax is paid in respect of the payment under the law of any country or territory outside the United Kingdom, an appropriate adjustment is to be made in the individual’s liability to tax (by way of discharge or repayment of tax).

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#### Textual Amendments

**F1502** Words in Sch. 34 para. 6(1) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 95\(5\)\(a\)](#)

**F1503** Words in Sch. 34 para. 6(2) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 95\(5\)\(b\)](#)

#### Commencement Information

**I209** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

- 7 (1) The member payment provisions apply with respect to a payment made (or treated by this Part as made) to or in respect of—
- (a) a relieved member of a relevant non-UK scheme, or
  - (b) a transfer member of such a scheme,
- subject to any omissions, additions and other modifications contained in regulations made by the Board of Inland Revenue.
- (2) Regulations under sub-paragraph (1) may—
- (a) include provision having effect in relation to times before they are made,
  - (b) confer discretion on the Board of Inland Revenue or the Inland Revenue (subject to a right of appeal against any decision taken in exercise of the discretion),
  - <sup>F1504</sup>(ba) contain transitional provisions and savings,]
  - (c) make different provision in relation to payments treated (in accordance with regulations under paragraph 3(6) or 4(4)) as being referable to a member's UK tax-relieved fund, or to a member's relevant transfer fund [<sup>F1505</sup>or ring-fenced transfer funds], under a relevant non-UK scheme, and
  - (d) otherwise make different provision for different cases.

#### Textual Amendments

**F1504** Sch. 34 para. 7(2)(ba) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 95\(6\)](#)

**F1505** Words in Sch. 34 para. 7(2)(c) inserted (retrospective to 9.3.2017) by [Finance Act 2017 \(c. 10\)](#), [Sch. 4 paras. 6, 8](#)

#### Commencement Information

**I210** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

<sup>F1506</sup>*Unauthorised payment charge: alternatively secured pension etc]*

#### Textual Amendments

**F1506** Sch. 34 para. 7ZA and cross-heading inserted (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 19 para. 18\(4\)](#)

<sup>F1507</sup>7ZA .....

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#### Textual Amendments

**F1507**Sch. 34 para. 7ZA omitted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 81\(5\)](#)

#### *[<sup>F1508</sup>Unauthorised payment charge: taxable property*

#### Textual Amendments

**F1508**Sch. 34 para. 7A and cross-heading inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 158(2), [Sch. 21 para. 14\(3\)](#)

- 7A (1) The Commissioners for Her Majesty's Revenue and Customs may by regulations make provision for a transfer member of a relevant non-UK scheme to be liable to the unauthorised payment charge in the same or similar circumstances to those in which—
- (a) a member of a registered pension scheme is liable to that charge by virtue of section 174A and Schedule 29A (taxable property held by investment-regulated pension scheme),
  - (b) the scheme administrator of such a scheme is liable to the scheme sanction charge by virtue of section 185A (income from taxable property) or 185F (gains from taxable property), or
  - (c) a member of such a scheme is liable to the scheme sanction charge by virtue of those provisions in consequence of provision made by regulations under section 273ZA.
- (2) The regulations may—
- (a) make provision for the application of any or all of the taxable property provisions in relation to a transfer member of a relevant non-UK scheme subject to any omissions, additions and other modifications contained in the regulations,
  - (b) include provision having effect in relation to times before they are made,
  - (c) contain transitional provisions and savings, and
  - (d) make different provision for different cases.]

#### *[<sup>F1509</sup>High income excess relief charge*

#### Textual Amendments

**F1509**Sch. 34 para. 7B and cross-heading inserted (with effect for tax year 2011-12 and subsequent tax years in accordance with Sch. 2 para. 5 of the amending Act) by [Finance Act 2010 \(c. 13\)](#), [Sch. 2 para. 4](#); which insertion fell without ever having effect as a result of the repeal (10.12.2010) of the affecting provision by [The Finance Act 2010, Section 23 and Schedule 2 \(High Income Excess Relief Charge\) \(Repeal Order 2010 \(S.I. 2010/2938\)\)](#), arts. 1, 2

- 7B (1) The Commissioners for Her Majesty's Revenue and Customs may by regulations make provision for the provisions of this Part of this Act relating to the high income excess relief charge to apply in relation to individuals who are or have been members



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of a currently-relieved non-UK pension scheme subject to modifications contained in the regulations.

- (2) Regulations under sub-paragraph (1) may—
- (a) include provision having effect in relation to times before they are made,
  - (b) confer discretion on the Commissioners for Her Majesty's Revenue and Customs or officers of Revenue and Customs, and
  - (c) make different provision for different cases.]

#### *Annual allowance charge*

- 8 (1) The provisions of this Part relating to the annual allowance charge (“the annual allowance provisions”) apply in relation to an individual who is a currently-relieved member of a currently-relieved non-UK pension scheme [<sup>F1510</sup>and its scheme manager] as if the currently-relieved non-UK pension scheme were a registered pension scheme.
- (2) Sub-paragraph (1) has effect subject to the provision made by and under paragraphs 9 to 12.
- (3) A pension scheme is a currently-relieved non-UK pension scheme in relation to a tax year if—
- (a) relief from tax is given in respect of contributions paid during the tax year under the pension scheme by virtue of Schedule 33 (overseas pension schemes: migrant member relief) or double tax arrangements, or
  - (b) a member of the pension scheme is, or members of the pension scheme are, exempt from liability to tax by virtue of section 307 of ITEPA 2003 (exemption for provision made by employer for retirement or death benefit) in respect of provision made under the pension scheme at any time during the tax year when the pension scheme is an overseas pension scheme.
- (4) An individual is a currently-relieved member of a currently-relieved non-UK pension scheme in relation to a tax year if—
- (a) any of the contributions in respect of which relief is given as mentioned in sub-paragraph (3)(a) are contributions paid by or on behalf of, or in respect of, the individual, or
  - (b) the individual is the member, or one of the members, who is exempt from liability to tax as mentioned in sub-paragraph (3)(b).

#### **Textual Amendments**

**F1510** Words in Sch. 34 para. 8(1) inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 24\(2\)](#)

#### **Commencement Information**

**I211** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

- 9 The annual allowance provisions apply by virtue of paragraph 8 in relation to an individual who is a currently-relieved member of a currently-relieved non-UK pension scheme as if references to the pension input period of an arrangement under the pension scheme that ends in a tax year were to the tax year.

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### Commencement Information

**I212** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

<sup>F1511</sup>~~9ZA~~ For the purposes of determining the annual allowance charge in the case of an individual for a relevant tax year, a pension scheme is to be treated for the purposes of section 227G as a registered pension scheme if—

- (a) in relation to that tax year, or
- (b) in relation to any earlier tax year (whether or not a relevant tax year),

the scheme is a currently-relieved non-UK pension scheme and the individual is a currently-relieved member of the scheme.

(2) For the purposes of this paragraph, a tax year is a “relevant tax year” in relation to an individual if—

- (a) it is—
  - (i) the first tax year in relation to which the individual is a currently-relieved member of any currently-relieved non-UK pension scheme, or
  - (ii) if later, the tax year 2015-16, or
- (b) it is a tax year subsequent to the tax year identified under paragraph (a).

### Textual Amendments

**F1511** Sch. 34 paras. 9ZA, 9ZB inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 95(7)**

9ZB (1) Sub-paragraph (2) has effect if at any particular time—

- (a) an individual is a transfer member of a relevant non-UK scheme,
- (b) the scheme is, or at any previous time has been, a qualifying recognised overseas pension scheme, and
- (c) the particular time is not in a tax year in relation to which the scheme is a currently-relieved non-UK pension scheme of which the individual is a currently-relieved member.

(2) Section 227G applies in the individual's case as if the scheme, so far as relating to the individual's relevant transfer fund [<sup>F1512</sup>or ring-fenced transfer funds] under the scheme, were a registered pension scheme at the particular time.

(3) The reference in sub-paragraph (2) to the individual's relevant transfer fund under the relevant non-UK scheme is to be read in accordance with paragraph 4.

[ The reference in sub-paragraph (2) to the individual's ring-fenced transfer funds <sup>F1513</sup>(4) under the relevant non-UK scheme is to be read in accordance with paragraph 1.]]

### Textual Amendments

**F1511** Sch. 34 paras. 9ZA, 9ZB inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 95(7)**

**F1512** Words in [Sch. 34 para. 9ZB\(2\)](#) inserted (retrospective to 9.3.2017) by [Finance Act 2017 \(c. 10\)](#), **Sch. 4 paras. 7(2), 8**

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**F1513** Sch. 34 para. 9ZB(4) inserted (retrospective to 9.3.2017) by Finance Act 2017 (c. 10), Sch. 4 paras. 7(3), 8

- [<sup>F1514</sup>9A(1) This paragraph applies where an individual—
- (a) is a currently-relieved member of a currently-relieved non-UK pension scheme in relation to a tax year, but
  - (b) was a member, but not a currently-relieved member, of the currently-relieved non-UK pension scheme in relation to any one or more of the 3 immediately preceding tax years (a “relevant tax year”).
- (2) Section 228A has effect in relation to the individual for the tax year as it would if the individual had been a currently-relieved member of the pension scheme for the relevant tax year (or each of the relevant tax years) and paragraphs 10 and 11 of this Schedule were omitted.

#### Textual Amendments

**F1514** Sch. 34 paras. 9A, 9B inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by Finance Act 2011 (c. 11), Sch. 17 para. 24(3)

- 9B (1) This paragraph applies where an individual—
- (a) is a member of a registered pension scheme in relation to a tax year, and
  - (b) was a currently-relieved member of a currently-relieved non-UK pension scheme in relation to any one or more of the 3 immediately preceding tax years (a “relevant tax year”).
- (2) Section 228A has effect in relation to the individual for the tax year as it would if the currently-relieved non-UK pension scheme had been a registered pension scheme for the relevant tax year (or each of the relevant tax years).]

#### Textual Amendments

**F1514** Sch. 34 paras. 9A, 9B inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by Finance Act 2011 (c. 11), Sch. 17 para. 24(3)

- 10 (1) Sections 230 (1) and 234 (1) (cash balance and defined benefits arrangements) apply by virtue of paragraph 8 in relation to an individual who is a currently-relieved member of a currently-relieved non-UK pension scheme in relation to a tax year as if the increase in the value of the individual’s rights under an arrangement under the pension scheme relating to the individual during the tax year were the greater of—
- (a) the appropriate fraction of what it otherwise would be, and
  - (b) the amount of any contributions paid under the arrangement during the tax year by or on behalf of the individual (otherwise than by an employer) in respect of which relief from tax is given by virtue of Schedule 33 (overseas pension schemes: migrant member relief) or double tax arrangements;
- and section 237 (hybrid arrangements) applies accordingly.

- [<sup>F1515</sup>(2) The appropriate fraction is—

$$\text{TE} + \text{TSI EI}$$

where—

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EI is the total amount of employment income of the individual from any relevant employment or employments for the tax year, excluding any such income which is exempt income (within the meaning of section 8 of ITEPA 2003),

TE is so much of EI as constitutes taxable earnings from any such employment (within the meaning of section 10(2) of that Act), and

TSI is so much of EI as constitutes taxable specific income from any such employment (within the meaning of section 10(3) to (5) of that Act).]

- (3) An employment is a relevant employment if it is an employment with an employer who is a sponsoring employer in relation to the currently-relieved non-UK pension scheme.

#### Textual Amendments

**F1515** Sch. 34 para. 10(2) substituted (with effect in accordance with s. 45(4) of the amending Act) by [Finance Act 2014 \(c. 26\), s. 45\(2\)](#)

#### Commencement Information

**I213** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

- 11 (1) Section 233 (1) (other money purchase arrangements) applies by virtue of paragraph 8 in relation to an individual who is a currently-relieved member of a currently-relieved non-UK pension scheme in relation to a tax year as if—
- (a) the reference in paragraph (a) to relievable pension contributions paid by or on behalf of the individual under an arrangement under the pension scheme relating to the individual were to those in respect of which relief from tax is given by virtue of Schedule 33 (overseas pension schemes: migrant member relief) or double tax arrangements, and
  - (b) the reference in paragraph (b) to contributions paid in respect of the individual under such an arrangement by an employer of the individual were to the appropriate fraction of contributions so paid;
- and section 237 applies accordingly.

[<sup>F1516</sup>(2) The appropriate fraction is—

$$\frac{\text{TE} + \text{TSI}}{\text{EI}}$$

where—

EI is the total amount of employment income of the individual from any employment or employments with the employer for the tax year, excluding any such income which is exempt income (within the meaning of section 8 of ITEPA 2003),

TE is so much of EI as constitutes taxable earnings from any such employment (within the meaning of section 10(2) of that Act), and

TSI is so much of EI as constitutes taxable specific income from any such employment (within the meaning of section 10(3) to (5) of that Act).]

[<sup>F1517</sup>(3) Where a calculation under section 233(1) as applied by paragraph 8 is being carried out for the purposes of section 227F(3) in respect of a period that ends at the end of a tax year (see paragraph 9 and section 227F(1)), the appropriate fraction

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for the purposes of sub-paragraph (1)(b) is the appropriate fraction given by sub-paragraph (2) for that tax year (even where the period in respect of which the calculation is being carried out is part only of that tax year).]

#### Textual Amendments

**F1516**Sch. 34 para. 11(2) substituted (with effect in accordance with s. 45(4) of the amending Act) by [Finance Act 2014 \(c. 26\), s. 45\(3\)](#)

**F1517**Sch. 34 para. 11(3) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\), Sch. 1 para. 95\(8\)](#)

#### Commencement Information

**I214** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

- 12 (1) The annual allowance provisions apply by virtue of paragraph 8 in relation to an individual who is a currently-relieved member of a currently-relieved non-UK pension scheme [<sup>F1518</sup>and its scheme manager] subject to any omissions, additions and other modifications contained in regulations made by the Board of Inland Revenue.
- (2) Regulations under sub-paragraph (1) may—
- (a) include provision having effect in relation to times before they are made,
  - (b) confer discretion on the Board of Inland Revenue or the Inland Revenue (subject to a right of appeal against any decision taken in exercise of the discretion),
  - [<sup>F1519</sup>(ba) contain transitional provisions and savings,] and
  - (c) make different provision for different cases.

#### Textual Amendments

**F1518**Words in Sch. 34 para. 12(1) inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\), Sch. 17 para. 24\(4\)](#)

**F1519**Sch. 34 para. 12(2)(ba) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\), Sch. 1 para. 95\(9\)](#)

#### Commencement Information

**I215** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

#### *Lifetime allowance charge*

- 13 (1) The provisions of this Part relating to the lifetime allowance charge (“the lifetime allowance provisions”) apply in relation to an individual who is a relieved member of a relieved non-UK pension scheme as if the relieved non-UK pension scheme were a registered pension scheme.
- (2) Sub-paragraph (1) has effect subject to the provision made by and under paragraphs 14 to 19.
- (3) A pension scheme is a relieved non-UK pension scheme if—

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- (a) relief from tax has been given in respect of contributions paid under the pension scheme by virtue of Schedule 33 (overseas pension schemes: migrant member relief),
  - (b) relief from tax has been so given at any time after 5th April 2006 under double tax arrangements, or
  - (c) a member of the pension scheme has been, or members of the pension scheme have been, exempt from liability to tax by virtue of section 307 of ITEPA 2003 (exemption for provision made by employer for retirement or death benefit) in respect of provision made under the pension scheme at any time after 5th April 2006 when the pension scheme was an overseas pension scheme.
- (4) An individual is a relieved member of a relieved non-UK pension scheme if—
- (a) any of the contributions in respect of which relief has been given as mentioned in sub-paragraph (3)(a) or (b) were contributions paid by or on behalf of, or in respect of, the individual, or
  - (b) the individual is the member, or one of the members, who has been exempt from liability to tax as mentioned in sub-paragraph (3)(c).

**Commencement Information**

**I216** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

- 14 (1) This paragraph applies in relation to the amount crystallised on the occurrence of an event that is a benefit crystallisation event by virtue of this Schedule in relation to an individual who is a relieved member of a relieved non-UK pension scheme.
- (2) What would otherwise be the amount crystallised by the event is reduced by so much (if any) of it as exceeds the amount of the untested portion of the relevant relieved amount immediately before the benefit crystallisation event (so that if that amount is nil, there is no amount crystallised).
- (3) For the purposes of this paragraph and paragraph 15 the relevant relieved amount is the aggregate of—
- (a) the amounts which for each tax year before that in which the benefit crystallisation event occurs would have been arrived at in relation to arrangements under the relieved non-UK pension scheme relating to the individual as pension input amounts under sections 230 to 237 (annual allowance) as they apply by virtue of this Schedule, and
  - (b) the amount which would be so arrived at if the period beginning with the tax year in which the benefit crystallisation event occurs and ending immediately before the benefit crystallisation event were a tax year, assuming that section 229(3) did not apply.
- (4) For the purposes of this paragraph and paragraph 15 the untested portion of the relevant relieved amount is so much of the relevant relieved amount as exceeds the aggregate of the amount which (in accordance with sub-paragraph (2)) is the amount crystallised by each previous event that was a benefit crystallisation event by virtue of this Schedule in relation to the individual and the relieved non-UK pension scheme (so that if there has been no such previous event the untested portion of the relevant relieved amount is the whole of that amount).

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#### Commencement Information

**I217** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

- 15 (1) An individual who is a relieved member of a relieved non-UK pension scheme may at any time elect by giving notice to the Inland Revenue in a form specified by the Board of Inland Revenue that a benefit crystallisation event is to be treated as occurring on the date specified in the notice in relation to the individual and the relieved non-UK pension scheme.
- (2) The amount crystallised on the occurrence of an event that is a benefit crystallisation event by virtue of sub-paragraph (1) is the untested portion of the relevant relieved amount.

#### Commencement Information

**I218** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

- 16 (1) This paragraph applies on the occurrence of a transfer of sums or assets held for the purposes of, or representing accrued rights under, a relieved non-UK pension scheme which (apart from sub-paragraph (2)) would by virtue of paragraph 13 be a benefit crystallisation event in relation to an individual who is a relieved member of the relieved non-UK pension scheme.
- (2) The event is not a benefit crystallisation event if the transfer is a block transfer.
- (3) A transfer is a block transfer if it involves the transfer in a single transaction of all the sums and assets held for the purposes of, or representing accrued rights under, the arrangements under the relieved non-UK pension scheme which relate to—
- the individual, and
  - at least one other member of the relieved non-UK pension scheme (whether or not that member is a relieved member).

#### Commencement Information

**I219** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

- 17 Section 217 (persons liable to charge) applies with respect to a liability to the lifetime allowance charge arising by reason of the occurrence of an event that is a benefit crystallisation event by virtue of this Schedule in relation to an individual who is a relieved member of a relieved non-UK pension scheme with the omission of references to the scheme administrator.

#### Modifications etc. (not altering text)

**C248** Sch. 34 para. 17 modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), **Sch. 3 Pt. 1**

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#### Commencement Information

**I220** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

- 18 (1) This paragraph applies where sums and assets held for the purposes of, or representing accrued rights under, a relieved non-UK pension scheme are transferred so as to become held for the purposes of, or to represent rights under, another pension scheme (“the transferee pension scheme”) in circumstances in which, by virtue of paragraph 16, the transfer does not constitute a benefit crystallisation event.
- (2) Paragraphs 13 to 17 and sub-paragraph (1) have effect after the transfer as if—
- (a) references to a relieved non-UK pension scheme included the transferee pension scheme (if not a relieved non-UK pension scheme),
  - (b) references to an individual who is a relieved member of a relieved non-UK pension scheme included the individual to whom the transfer related (if not a relieved member of a relieved non-UK pension scheme), and
  - (c) the relevant relieved amount consisted of, or (if there is a relevant relieved amount in relation to the individual and the transferee pension scheme apart from this paragraph) included, the amount which would have been the amount crystallised had the transfer constituted a benefit crystallisation event.

#### Commencement Information

**I221** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

- 19 (1) The provisions of this Part of this Act relating to the lifetime allowance charge apply in relation to an individual who is a relieved member of a relieved non-UK pension scheme subject to any omissions, additions and other modifications contained in regulations made by the Board of Inland Revenue.
- (2) Regulations under sub-paragraph (1) may—
- (a) include provision having effect in relation to times before they are made,
  - (b) confer discretion on the Board of Inland Revenue or the Inland Revenue (subject to a right of appeal against any decision taken in exercise of the discretion),
  - <sup>F1520</sup>(ba) contain transitional provisions and savings,] and
  - (c) make different provision for different cases.

#### Textual Amendments

**F1520**Sch. 34 para. 19(2)(ba) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 95\(9\)](#)

#### Commencement Information

**I222** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284



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*Meaning of “double tax arrangements”*

- 20 In this Schedule “double tax arrangements” means arrangements having effect [F1521 under section 2(1) of the Taxation (International and Other Provisions) Act 2010] (relief by agreement with other territories).

**Textual Amendments**

**F1521** Words in Sch. 34 para. 20 substituted (with effect in accordance with s. 381(1) of the amending Act) by Taxation (International and Other Provisions) Act 2010 (c. 8), s. 381(1), Sch. 8 para. 64 (with Sch. 9 paras. 1-9, 22)

**Commencement Information**

**I223** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

SCHEDULE 35

Section 281

PENSION SCHEMES ETC: MINOR AND CONSEQUENTIAL AMENDMENTS

*Taxes Management Act 1970 (c. 9)*

- 1 In section 9(1A) of the Taxes Management Act 1970 (tax not to be assessed by a self-assessment), for the words after “any tax” substitute “which—
- (a) is chargeable on the scheme administrator of a registered pension scheme under Part 4 of the Finance Act 2004, F1522 ...
  - [F1523 (ab) is chargeable on the sub-scheme administrator of a sub-scheme under Part 4 of the Finance Act 2004 as modified by the Registered Pensions (Splitting of Schemes) Regulations 2006, or]
  - (b) is chargeable on the person who is (or persons who are) the responsible person in relation to an employer-financed retirement benefits scheme under section 394(2) of ITEPA 2003.”

**Textual Amendments**

**F1522** Word in Sch. 35 para. 1 deleted (6.4.2006) by The Registered Pension Schemes (Splitting of Schemes) Regulations 2006 (S.I. 2006/569), regs. 1(1), 5(3)(a)

**F1523** Words in Sch. 35 para. 1 added (6.4.2006) by The Registered Pension Schemes (Splitting of Schemes) Regulations 2006 (S.I. 2006/569), regs. 1(1), 5(3)(b)

**Commencement Information**

**I224** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

*Income and Corporation Taxes Act 1988 (c. 1)*

- 2 The Income and Corporation Taxes Act 1988 (c. 1) is amended as follows.

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**Commencement Information**

**I225** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

3 In section 21A(2) (Schedule A: computation of amount chargeable), insert at the end—

“sections 196 to 200 of the Finance Act 2004 (registered pension schemes); section 246 of that Act (employer-financed retirement benefits schemes).”

**Commencement Information**

**I226** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

4 In section 56(3)(b) (transfers in deposits and debts: exemption for pensions), for “592(2), 613, 614 (1) to (3) or 620(6)” substitute “ 613(4) or 614(2) or (3) or section 186 of the Finance Act 2004 ”.

**Commencement Information**

**I227** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

F1524<sup>5</sup> .....

**Textual Amendments**

**F1524**Sch. 35 para. 5 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 3](#) (with [Sch. 2](#))

6 In section 129B(2) (stock lending fees), for “sections 592(2), 608(2)(a), 613(4), 614(3), 620(6) and 643(2)” substitute “ sections 613(4) and 614(3) and section 186 of the Finance Act 2004 ”.

**Commencement Information**

**I228** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

F1525<sup>7</sup> .....

**Textual Amendments**

**F1525**Sch. 35 para. 7 repealed (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\), s. 1184\(1\), Sch. 3 Pt. 1](#) (with [Sch. 2](#))

F1526<sup>8</sup> .....

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### Textual Amendments

**F1526**Sch. 35 para. 8 repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), **Sch. 3 Pt. 1** (with [Sch. 2](#))

- 9 In section 266 (1) (life assurance premiums), for “sections 274 and 619(6) and Schedules 14 and 15,” substitute “section 274 and Schedules 14 and 15 and sections 192 to 194 of the Finance Act 2004,”.

### Commencement Information

**I229** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

- 10 (1) Section 266A (life assurance premiums paid by employer) is amended as follows.  
(2) In subsection (1), for “a non-approved” substitute “an employer-financed”.  
(3) For subsections (3) to (6) substitute—

“(3) For the purposes of subsection (1)(a) benefits are provided in respect of an employee if they are provided for the employee’s spouse [<sup>F1527</sup>or civil partner], widow or widower [<sup>F1528</sup>or surviving civil partner], children, dependants or personal representatives.

(4) If a sum within subsection (1) is paid with a view to the provision of benefits for or in respect of more than one employee of the employer, part of it is to be treated as paid for or in respect of each of them.

(5) The amount treated as paid for or in respect of each employee is—

$$A \times \frac{B}{C}$$

where—

A is the sum paid,

B is the amount which would have had to be paid to secure the benefits to be provided for or in respect of the employee in question, and

C is the total amount which would have had to be paid to secure the benefits to be provided for or in respect of all the employees if separate payments had been made in the case of each of them.

- (6) This section does not apply if—  
(a) in the year of assessment in which the sum is paid the earnings from the employee’s employment are (or, if there are none, would be if there were any) earnings charged on remittance, or  
(b) the employee is not domiciled in the United Kingdom in the tax year in which the sum is paid and the conditions in subsection (7) are met.  
(7) Those conditions are—

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- (a) that the employment is with a foreign employer, and
  - (b) that, on a claim made by the employee, the Board are satisfied that the pension scheme corresponds to a registered pension scheme.
- (8) In subsection (6)(a) “earnings charged on remittance” means earnings which are taxable earnings under—
- (a) section 22 of ITEPA 2003 (chargeable overseas earnings for year when employee resident and ordinarily resident, but not domiciled, in UK), or
  - (b) section 26 of that Act (foreign earnings for year when employee resident, but not ordinarily resident, in UK).
- (9) In this section—
- “employer-financed retirement benefits scheme”, and
- >“relevant benefits”,
- have the same meaning as in Chapter 2 of Part 6 of ITEPA 2003 (see sections 393A and 393B of that Act).”

**Textual Amendments**

**F1527** Words in Sch. 35 para. 10(3) inserted (with effect in accordance with reg. 1(7) of the amending S.I.) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **181(a)**

**F1528** Words in Sch. 35 para. 10(3) inserted (with effect in accordance with reg. 1(7) of the amending S.I.) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **181(b)**

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**Commencement Information**

**I230** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

**F1529** 11 .....

**Textual Amendments**

**F1529** Sch. 35 para. 11 omitted (with effect in accordance with Sch. 39 para. 31(3) of the amending Act) by virtue of [Finance Act 2012 \(c. 14\)](#), **Sch. 39 para. 31(2)(b)**

**F1530** 12 .....

**Textual Amendments**

**F1530** Sch. 35 para. 12 omitted (with effect in accordance with Sch. 1 para. 7 of the amending Act) by virtue of [Finance Act 2009 \(c. 10\)](#), **Sch. 1 para. 6(m)**

**F1531** 13 .....

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**Textual Amendments**

**F1531** Sch. 35 paras. 13-17 repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

**F1531** 14 .....

**Textual Amendments**

**F1531** Sch. 35 paras. 13-17 repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

**F1531** 15 .....

**Textual Amendments**

**F1531** Sch. 35 paras. 13-17 repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

**F1531** 16 .....

**Textual Amendments**

**F1531** Sch. 35 paras. 13-17 repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

**F1531** 17 .....

**Textual Amendments**

**F1531** Sch. 35 paras. 13-17 repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

**F1532** 18 .....

**Textual Amendments**

**F1532** Sch. 35 para. 18 repealed (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

**F1533** 19 .....

**Textual Amendments**

**F1533** Sch. 35 para. 19 repealed (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

**F1534** 20 .....

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**Textual Amendments**

**F1534**Sch. 35 para. 20 omitted (17.7.2012) by virtue of [Finance Act 2012 \(c. 14\)](#), [Sch. 16 para. 247\(l\)\(v\)](#)

- 21 In section 464(5) (policies and contracts to be disregarded in applying limits on benefits payable to member of friendly society), for paragraph (b) substitute—
  - “(b) any policy of insurance or annuity contract by means of which the benefits to be provided under an occupational pension scheme (within the meaning of section 150(5) of the Finance Act 2004) are secured or any annuity contract which constitutes a registered pension scheme or is issued or held in connection with a registered pension scheme other than such an occupational pension scheme;”.

**Commencement Information**

**I231** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

- 22 (1) Section 466 (interpretation of Chapter 2 of Part 12) is amended as follows.
- (2) In subsection (2), omit the definition of “pension business”.

**F1535**(3) .....

**Textual Amendments**

**F1535**Sch. 35 para. 22(3) repealed (with effect in accordance with s. 38 of the amending Act) by [Finance Act 2007 \(c. 11\)](#), [Sch. 27 Pt. 2\(7\)](#)

**Commencement Information**

**I232** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

**F1536**23 .....

**Textual Amendments**

**F1536**Sch. 35 para. 23 repealed (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

**F1537**24 .....

**Textual Amendments**

**F1537**Sch. 35 para. 24 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with [Sch. 2](#))

**F1538**25 .....

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**Textual Amendments**

**F1538**Sch. 35 para. 25 omitted (21.7.2008) (with effect in accordance with Sch. 14 para. 18 of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 14 para. 17\(m\)](#)

- 26 In section 613(4) (parliamentary pension funds)—
- (a) omit “respective” and paragraphs (b) to (d), and
  - (b) for “those funds” (in both places) substitute “ that Fund ”.

**Commencement Information**

**I233** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

F1539 27 . . . . .

**Textual Amendments**

**F1539**Sch. 35 para. 27 omitted (21.7.2008) (with effect in accordance with Sch. 14 para. 18 of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 14 para. 17\(m\)](#)

F1540 28 . . . . .

**Textual Amendments**

**F1540**Sch. 35 para. 28 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with [Sch. 2](#))

F1541 29 . . . . .

**Textual Amendments**

**F1541**Sch. 35 para. 29 repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

F1542 30 . . . . .

**Textual Amendments**

**F1542**Sch. 35 para. 30 repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

F1543 31 . . . . .

**Textual Amendments**

**F1543**Sch. 35 para. 31 repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

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F1544<sup>32</sup> .....

**Textual Amendments**

F1544Sch. 35 para. 32 repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), **Sch. 3 Pt. 1** (with Sch. 2)

33 In section 824(9) (repayment supplements), after “settlement” insert “, scheme administrators of registered pension schemes [<sup>F1545</sup>sub-scheme administrators of sub-schemes which form part of a split scheme pursuant to the Registered Pensions (Splitting of Schemes) Regulations 2006]”.

**Textual Amendments**

F1545Words in Sch. 35 para. 33 added (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), **5(6)(7)**

**Commencement Information**

I234 Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

F1546<sup>34</sup> .....

**Textual Amendments**

F1546Sch. 35 paras. 34-36 repealed (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), **Sch. 3 Pt. 1** (with Sch. 2)

F1546<sup>35</sup> .....

**Textual Amendments**

F1546Sch. 35 paras. 34-36 repealed (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), **Sch. 3 Pt. 1** (with Sch. 2)

F1546<sup>36</sup> .....

**Textual Amendments**

F1546Sch. 35 paras. 34-36 repealed (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), **Sch. 3 Pt. 1** (with Sch. 2)

*Finance Act 1990 (c. 29)*

F1547<sup>37</sup> .....



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### Textual Amendments

**F1547**Sch. 35 para. 37 repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

### *Taxation of Chargeable Gains Act 1992 (c. 12)*

38 The Taxation of Chargeable Gains Act 1992 is amended as follows.

### Commencement Information

**I235** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

39 In section 13(10B)(b) (attribution of gains to members of non-resident companies), for “section 271(1)(b), (c), (d), (g) or (h) or (2)” substitute “ section 271(1)(c) or (1A) ”.

### Commencement Information

**I236** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

40 For sections 239A and 239B (cessation of approval of retirement benefits schemes and withdrawal of approval of personal pension arrangements) substitute—

### *“Registered pension schemes De-registration of registered pension schemes*

#### **239A De-registration of registered pension schemes**

- (1) This section applies where tax is charged in accordance with section 242 of the Finance Act 2004 (de-registration charge) where the registration of a registered pension scheme is withdrawn.
- (2) For the purposes of this Act the assets which at the relevant time are held for the purposes of the pension scheme—
  - (a) are treated as having been acquired at the relevant time for a consideration equal to the amount on which tax is charged by virtue of section 242 of the Finance Act 2004 by the person who would be chargeable in respect of a chargeable gain accruing on a disposal of the assets at the relevant time, and
  - (b) are not to be treated as having been disposed of by any person at the relevant time.
- (3) In subsection (2) “the relevant time” means the time immediately before the date of withdrawal of registration of the pension scheme.”

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**Commencement Information**

**I237** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

41 In section 288 (1) (interpretation), after the definition of “recognised stock exchange” insert—

““registered pension scheme” has the meaning given by section 150(2) of the Finance Act 2004;”.

**Commencement Information**

**I238** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

42 (1) Paragraph 2 of Schedule 1 (application of exempt amount and reporting limits in cases involving settled property) is amended as follows.

(2) In sub-paragraph (7)(b)(ii), for “any such scheme or fund as is mentioned in sub-paragraph (8) below” substitute “ a registered pension scheme, a superannuation fund to which section 615(3) of the Taxes Act applies or an occupational pension scheme (within the meaning of section 150(5) of the Finance Act 2004) that is not a registered pension scheme ”.

(3) Omit sub-paragraph (8).

**Commencement Information**

**I239** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

*Finance Act 1996 (c. 8)*

43 The Finance Act 1996 is amended as follows.

**Commencement Information**

**I240** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

44 In section 148 (mis-sold personal pensions), after subsection (6) insert—

“(6A) References in subsections (3)(d) and (6) to provisions of Part 14 of the Taxes Act 1988 are to those provisions as they had effect at the time in question.”

**Commencement Information**

**I241** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

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F1548 45 .....

**Textual Amendments**

F1548 Sch. 35 para. 45 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

F1549 46 .....

**Textual Amendments**

F1549 Sch. 35 para. 46 and cross-heading omitted (with effect in accordance with s. 114(4) of the amending Act) by virtue of Finance Act 2014 (c. 26), **s. 114(3)(c)**

*Capital Allowances Act 2001 (c. 2)*

47 The Capital Allowances Act 2001 is amended as follows.

**Commencement Information**

I242 Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

48 In section 4(2A) (expenditure and sums that are not capital expenditure or capital sums), in the definition of “relevant provision”, for paragraph (d) substitute—  
“(d) sections 188 to 194 of FA 2004 (contributions under registered pension schemes), and”.

**Commencement Information**

I243 Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

F1550 49 .....

**Textual Amendments**

F1550 Sch. 35 para. 49 omitted (21.7.2009) by virtue of Finance Act 2009 (c. 10), **s. 126(6)(a)**

*Finance Act 2002 (c. 23)*

F1551 50 .....

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**Textual Amendments**

**F1551** Sch. 35 para. 50 repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

**F1552** 51 .....

**Textual Amendments**

**F1552** Sch. 35 para. 51 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), **Sch. 3** (with Sch. 2)

**F1553** 52 .....

**Textual Amendments**

**F1553** Sch. 35 para. 52 repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

**F1554** 53 .....

**Textual Amendments**

**F1554** Sch. 35 para. 53 repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

*Income Tax (Earnings and Pensions) Act 2003 (c. 1)*

54 The Income Tax (Earnings and Pensions) Act 2003 is amended as follows.

**Commencement Information**

**I244** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

55 In section 23(3) (calculation of “chargeable overseas earnings”), in Step 2, for paragraphs (b) and (c) substitute—  
 “(b) sections 188 to 194 of FA 2004 (contributions to registered pension schemes), or”.

**Commencement Information**

**I245** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

56 In section 54 (1) (calculation of deemed employment payment), in Step 5, for “scheme approved under Chapter 1 or 4 of Part 14 of ICTA” substitute “registered pension scheme”.

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**Commencement Information**

**I246** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

- 57 In section 56(8) (application of Income Tax Acts in relation to deemed employment), for “relevant earnings of the worker for the purposes of section 644 of ICTA (relevant earnings for purposes of permissible pension contributions).” substitute “ relevant UK earnings of the worker for the purposes of Part 4 of FA 2004. ”

**Commencement Information**

**I247** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

- 58 In section 218(4) (“lower-paid employment”: deductions to be subtracted), for the references to sections 592(7) and 594 of ICTA substitute— “ sections 188 to 194 of FA 2004 (contributions to registered pension schemes), or ”.

**Commencement Information**

**I248** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

- 59 In section 315(5) (limited exemption for expenses connected with certain living accommodation), in Step 3, for paragraph (b) substitute—  
“(b) sections 188 to 194 of FA 2004 (contributions to registered pension schemes), or”.

**Commencement Information**

**I249** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

- 60 (1) Section 327 (deductions from earnings: general) is amended as follows.  
(2) In subsection (4), omit the entry relating to section 619 of ICTA.  
(3) In subsection (5), for the entries relating to sections 592(7) and 594 (1) of ICTA substitute “ and sections 188 to 194 of FA 2004 (contributions to registered pension schemes). ”

**Commencement Information**

**I250** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

- 61 In section 381 (deductions from seafarers' earnings: taking account of other deductions), for paragraphs (c) to (e) substitute—

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- “(c) section 262 of CAA 2001 (capital allowances to be given effect by treating them as deductions from earnings), and
- (d) sections 188 to 194 of FA 2004 (contributions to registered pension schemes).”

**Commencement Information**

**I251** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

- 62 (1) Section 407 (payments and benefits on termination of employment: exception for payments and benefits under tax-exempt pension schemes) is amended as follows.
- (2) In subsection (2), for paragraph (a) substitute—
- “(a) a registered pension scheme,
  - (aa) a scheme set up by a government outside the United Kingdom for the benefit of employees or primarily for their benefit, or”.
- (3) Omit subsection (3).

**Commencement Information**

**I252** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

- 63 (1) Section 408 (payments and benefits on termination of employment: exception for contributions to tax-exempt pension schemes) is amended as follows.
- (2) In subsection (1), for “tax-exempt pension scheme or approved personal pension arrangements” substitute “registered pension scheme”.
- (3) Omit subsection (2).
- (4) In the heading, for “tax-exempt pension schemes” substitute “registered pension schemes”.

**Commencement Information**

**I253** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

- 64 In section 563 (former employees: deductions for liabilities), in the definition of “relevant retirement benefit”, for paragraphs (a) and (b) substitute—
- “(a) which is received by the former employee under an employer-financed retirement benefits scheme, and
  - (b) which, under Chapter 2 of Part 6, counts as employment income of the former employee.”

**Commencement Information**

**I254** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

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65 (1) Schedule 1 (abbreviations and defined expressions) is amended as follows.

<sup>F1555</sup>(2) .....

(3) In Part 2, insert at the appropriate place—

“registered pension scheme section 832 (1) of ICTA”.

**Textual Amendments**

**F1555** Sch. 35 para. 65(2) omitted (21.7.2009) by virtue of Finance Act 2009 (c. 10), s. 126(6)(a)

**Commencement Information**

**I255** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

SCHEDULE 36

Section 283

PENSION SCHEMES ETC: TRANSITIONAL PROVISIONS AND SAVINGS

**Modifications etc. (not altering text)**

**C249** Sch. 36 modified by The Taxation of Pension Schemes (Transitional Provisions) Order 2006 (S.I. 2006/572), art. 23D (as inserted (1.6.2009) by S.I. 2009/1172, arts. 1, 3)

**C250** Sch. 36 applied (1.6.2018) by The Local Government Pension Scheme (Scotland) Regulations 2018 (S.S.I. 2018/141), regs. 1(1), 48(2)

**PART 1**

PRE-COMMENCEMENT PENSION SCHEMES

*Deemed registration of existing schemes*

- 1 (1) Any pension scheme which, immediately before 6th April 2006, is—
- (a) a retirement benefits scheme approved for the purposes of Chapter 1 of Part 14 of ICTA,
  - (b) a former approved superannuation fund (see sub-paragraph (3)),
  - (c) a relevant statutory scheme, as defined in section 611A of ICTA, or a pension scheme treated by the Inland Revenue on that date as if it were such a relevant statutory scheme,
  - (d) an annuity contract by means of which benefits provided under a pension scheme within paragraph (a), (b) or (c) have been secured but which does not provide for the immediate payment of benefits,
  - (e) a scheme or fund mentioned in section 613(4)(b) to (d) of ICTA (Parliamentary pension schemes or funds),

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- (f) an annuity contract or trust scheme approved under section 620 or 621 of ICTA or a substituted contract within the meaning of section 622(3) of ICTA, or
- (g) a personal pension scheme approved under Chapter 4 of Part 14 of ICTA, is to be treated as becoming a registered pension scheme on that date.
- (2) Where immediately before 6th April 2006 a retirement benefits scheme is, in accordance with section 611 of ICTA, treated as two or more separate schemes, the reference in sub-paragraph (1)(a) to an approved retirement benefits scheme is to such of the separate schemes as are approved (and not to the whole retirement benefits scheme).
- (3) For the purposes of sub-paragraph (1)(b) any fund which immediately before 6th April 1980 was an approved superannuation fund for the purposes of section 208 of ICTA 1970 is a former approved superannuation fund unless since 5th April 1980—
- (a) the fund has been approved for the purposes of Chapter 1 of Part 14 of ICTA (retirement benefits schemes), or
- (b) any sum has been paid under the fund by way of contribution.
- (4) Sub-paragraph (1)(a) or (g) applies in relation to a pension scheme approved (for the purposes of Chapter 1, or under Chapter 4, of Part 14 of ICTA) on or after 6th April 2006 if the approval has effect for a period ending with 5th April 2006.
- [<sup>F1556</sup>(4A) This Part of this Act applies in relation to a pension scheme that—
- (a) is a registered pension scheme by virtue of sub-paragraph (1)(a), and
- (b) is neither a public service pension scheme nor an occupational pension scheme,
- as it applies in relation to an occupational pension scheme.]
- (5) This paragraph is subject to paragraph 2 (opt-out).

#### Textual Amendments

**F1556** Sch. 36 para. 1(4A) inserted (retrospectively) by [Finance Act 2018 \(c. 3\)](#), Sch. 3 paras. 1(8), 2(4)

#### Modifications etc. (not altering text)

**C251** Sch. 36 para. 1(1) modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), 27(1)-(3)

#### *Opting out of deemed registration*

- 2 (1) Paragraph 1 (1) does not apply to a pension scheme if the relevant administrator has, at any time before 6th April 2006, notified the Inland Revenue that the pension scheme is not to become a registered pension scheme on that date.
- (2) If, by virtue of sub-paragraph (1) of this paragraph, sub-paragraph (1) of paragraph 1 does not apply to a pension scheme within any of paragraphs (a) to (d), (f) and (g) of that sub-paragraph, income tax is to be charged at the rate of 40% on the relevant amount.
- (3) The relevant amount is an amount equal to the aggregate of—
- (a) the amount of the sums held for the purposes of the pension scheme immediately before 6th April 2006, and



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- (b) the market value (at that time) of the assets held for the purposes of the pension scheme at that time.
- (4) The liability to income tax is a liability of the person who is the relevant administrator on 5th April 2006 or, if more than one person is the relevant administrator on that date, is a joint and several liability of those persons.
- (5) Where tax is charged in accordance with sub-paragraph (2), for the purposes of TCGA 1992 the assets which immediately before 6th April 2006 are held for the purposes of the pension scheme—
  - (a) are to be treated as having been acquired at that time for a consideration equal to the amount on which tax is charged by virtue of sub-paragraph (2) by the person who would be chargeable in respect of a chargeable gain accruing on a disposal of the assets on that date, and
  - (b) are not to be treated as having been disposed of by any person at that time.
- (6) “Relevant administrator” means—
  - (a) in the case of a pension scheme within paragraph 1(1)(a), (b) or (c), the person who is, or the persons who are, the administrator of the pension scheme under section 611AA of ICTA,
  - (b) in the case of a pension scheme within paragraph 1(1)(d) or (f), the trustee or trustees of the pension scheme, or the insurance company which is a party to the contract in which the pension scheme is comprised,
  - (c) in the case of a pension scheme within paragraph 1(1)(e), the trustees of the scheme or fund, and
  - (d) in the case of a pension scheme within paragraph 1(1)(g), the person who is referred to in section 638 (1) of ICTA.
- (7) If paragraph 1 (1) does not apply to a pension scheme by virtue of sub-paragraph (1), sections 431B(2) and 466(2B) of ICTA (meaning of pension business: pension scheme ceasing to be a registered pension scheme) apply as if the pension scheme had ceased to be a registered pension scheme at the beginning of 6th April 2006.

*Power to modify rules of existing schemes*

- 3
- (1) The Board of Inland Revenue may by regulations make any modifications of the rules of pension schemes to which paragraph 1 (1) applies if the modifications appear appropriate in consequence of, or in connection with, the provision made by this Part (or the repeals made by this Act in consequence of the provision made by this Part).
  - (2) Any modifications of the rules of a pension scheme made by the regulations have effect until the earlier of—
    - (a) the first date after 5th April 2006 on which amendments of the rules of the pension scheme [F1557 which state that the modifications no longer apply in relation to it take effect, or
    - (b) the end of the tax year 2010-11 or such later time as the Board of Inland Revenue may by regulations prescribe.]
  - (3) The modifications that may be made by the regulations include, in particular—
    - (a) modifications for relieving pension schemes of obligations to make payments which, on and after 6th April 2006, would be unauthorised payments, and

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- (b) modifications of provisions (however expressed) referring to any limit contained in, or relevant in relation to approval under or for the purposes of, any provision of Part 14 of ICTA (pension schemes etc.) as it has effect at any time before 6th April 2006.

#### Textual Amendments

**F1557** Words in Sch. 36 para. 3(2) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\), Sch. 10 paras. 51, 64\(1\)](#)

#### *Scheme administrator*

- 4 (1) Where under paragraph 1 (1) a pension scheme is treated as becoming a registered pension scheme on 6th April 2006, (despite anything in section 270) the following person is, or the following persons are, to be treated as becoming the scheme administrator of the pension scheme on that date.
- (2) If the pension scheme is within paragraph 1(1)(a), (b) or (c) immediately before that date, the person who is, or the persons who are, the administrator of the pension scheme under section 611AA of ICTA immediately before that date is or are to be treated as becoming the scheme administrator.
- (3) If the pension scheme is within paragraph 1(1)(d) or (f) immediately before that date, the trustee or trustees of the pension scheme, or the insurance company which is a party to the contract in which the pension scheme is comprised, is or are to be treated as becoming the scheme administrator.
- (4) If the pension scheme is within paragraph 1(1)(e) immediately before that date, the trustees of the scheme or fund are to be treated as becoming the scheme administrator.
- (5) If the pension scheme is within paragraph 1(1)(g) immediately before that date, the person who is referred to in section 638 (1) of ICTA in relation to the pension scheme immediately before that date is to be treated as becoming the scheme administrator.

#### Modifications etc. (not altering text)

**C252** Sch. 36 para. 4 modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\), arts. 1\(1\), 27\(1\)\(2\)\(4\)](#)

**C253** Sch. 36 para. 4(1) modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\), regs. 1\(1\), 3\(1\)\(2\), Sch. 3 Pt. 1](#)

**C254** Sch. 36 para. 4(2) modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\), regs. 1\(1\), 3\(1\)\(2\), Sch. 3 Pt. 1](#)

**C255** Sch. 36 para. 4(3) modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\), regs. 1\(1\), 3\(1\)\(2\), Sch. 3 Pt. 1](#)

#### *Post-commencement withdrawal of approval*

- 5 (1) The repeal by this Act of—
- (a) section 591B (1) of ICTA (withdrawal of approval of retirement benefits scheme),
- (b) section 620(7) of ICTA (withdrawal of approval of retirement annuity contract), and

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- (c) section 650 (1) of ICTA (withdrawal of approval of approved personal pension arrangements),
- does not prevent the withdrawal of an approval under any of those provisions at any time after 5th April 2006 (from any earlier date until 6th April 2006).
- (2) A withdrawal of approval made under any of those provisions by virtue of subparagraph (1) has the same consequences as a withdrawal of approval made under the provision concerned before 6th April 2006, so that (in particular)—
- (a) sections 591C and 591D of ICTA (tax on cessation of approval of retirement benefits scheme), or
  - (b) sections 650A and 651 of ICTA (charge on cessation of approval of personal pension arrangements and appeal against such withdrawal of such approval),
- apply where they would have applied had the approval been withdrawn before that date.

*Pre-commencement liabilities of scheme administrator*

- 6 Any liabilities or obligations of—
- (a) the administrator of a retirement benefits scheme (within the meaning of Chapter 1 of Part 14 of ICTA), or
  - (b) the scheme administrator of a personal pension scheme (within the meaning of Chapter 4 of Part 14 of ICTA),
- incurred in relation to the scheme before 6th April 2006 or by virtue of paragraph 4 are (on and after that date) to be treated as liabilities or obligations of the scheme administrator of the scheme.

**Modifications etc. (not altering text)**

**C256** Sch. 36 para. 6 modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), **Sch. 3 Pt. 1**

**PART 2**

PRE-COMMENCEMENT RIGHTS: LIFETIME ALLOWANCE CHARGE

**Modifications etc. (not altering text)**

**C257** Sch. 36 Pt. 2 applied (with modifications) (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\)](#), regs. 1(1), **5-11**

*“Primary protection”*

- 7 (1) This paragraph makes provision for the operation of a lifetime allowance enhancement factor in relation to all benefit crystallisation events occurring in relation to an individual where—
- (a) the amount of the relevant pre-commencement pension rights of the individual exceeds £1,500,000 (the standard lifetime allowance for the tax year 2006-07), and

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- (b) notice of intention to rely on this paragraph is given to the Inland Revenue in accordance with regulations made by the Board of Inland Revenue.
- (2) The lifetime allowance enhancement factor is the primary protection factor.
- (3) The primary protection factor is—

$$\frac{RR - SLA}{SLA}$$

where—

RR is the amount of the relevant pre-commencement pension rights of the individual, and

SLA is £1,500,000 (the standard lifetime allowance for the tax year 2006-07).

- (4) Sub-paragraph (3) is subject to paragraph 11 (pension debit on or after 6th April 2006).
- (5) The amount of the relevant pre-commencement pension rights of the individual is the aggregate of—
- (a) the value of the individual’s relevant uncrystallised pension rights on 5th April 2006 (calculated in accordance with paragraphs 8 and 9), and
  - (b) the value of the individual’s relevant crystallised pension rights on that date (calculated in accordance with paragraph 10).

**Modifications etc. (not altering text)**

**C258** Sch. 36 para. 7 applied (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, **29(1)**

**C259** Sch. 36 para. 7 construed as one with reg. 29 (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, **29(3)**

- 8 (1) The value of the individual’s relevant uncrystallised pension rights on 5th April 2006 is the aggregate value of the individual’s uncrystallised rights on that date under each relevant pension arrangement relating to the individual.
- (2) An arrangement is a “relevant pension arrangement” if it is an arrangement under a pension scheme within paragraph 1(1).
- (3) For the purposes of this paragraph the individual’s rights are “uncrystallised” if the individual has not, on 5th April 2006, become entitled to the present payment of benefits in respect of the rights.
- (4) And the individual is to be treated as entitled to the present payment of benefits in respect of any accrued rights in relation to which the individual has (under section 634A (1) of ICTA) made an election to defer the purchase of an annuity.
- (5) For the purposes of this paragraph the value of the individual’s uncrystallised rights on 5th April 2006 under an arrangement is to be calculated in accordance with section 212 (valuation of uncrystallised rights for purposes of section 210) on the assumption that the individual became entitled to the present payment of benefits in respect of the rights on that date.

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- (6) Section 212 has effect for the purposes of sub-paragraph (5) as if the reference to such age (if any) as must have been reached to avoid any reduction in benefits on account of age in paragraph (a) of section 277 were to the relevant age; and for this purpose “the relevant age” is—
- (a) if on 10th December 2003 the terms of the arrangement made provision for a reduction in the amount of benefits payable in respect of rights under the arrangement on account of the holder of the rights being below a particular age, that age, and
  - (b) otherwise, 60.

**Modifications etc. (not altering text)**

**C260** Sch. 36 para. 8(5) modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), **9**, 11

- 9 (1) This paragraph applies if any of the individual’s uncrystallised rights on 5th April 2006 are rights under one or more arrangements under a pension scheme or schemes within paragraph 1(1)(a) to (d).
- (2) The value of the individual’s uncrystallised rights on 5th April 2006 under the arrangement, or the aggregate of the values of the individual’s uncrystallised rights on 5th April 2006 under such of the arrangements as relate to a particular employment, is <sup>F1558</sup>...—
- (a) the value, or the aggregate of the values, calculated under paragraph 8, [<sup>F1559</sup>or (if lower)]
  - (b) the amount arrived at in accordance with sub-paragraph (3).
- (3) The amount arrived at in accordance with this sub-paragraph is—

**20 × MPP**

where MPP is the maximum permitted pension [<sup>F1560</sup>as increased, in a case where sub-paragraph (5A) applies, in accordance with sub-paragraph (5B)].

- (4) “The maximum permitted pension” means
- [<sup>F1561</sup>(a) in the case of an arrangement under a pension scheme which immediately before 6th April 2006 was within section [<sup>F1562</sup>611A(1)(a)] of ICTA, the maximum annual pension that could be paid to the individual under the pension scheme on 5th April 2006, and
  - (b) in any other case,] the maximum annual pension that could be paid to the individual on 5th April 2006 under the arrangement or arrangements if it or they were made under a pension scheme within paragraph 1(1)(a) without giving the Board of Inland Revenue grounds for withdrawing approval of the pension scheme under section 591B of ICTA.
- (5) For the purposes of sub-paragraph (4) it is to be assumed—
- (a) [<sup>F1563</sup>in the case of any arrangement, that] if the individual was in the employment to which the arrangement or arrangements relates or relate on 5th April [<sup>F1564</sup>2006] the individual left the employment on that date, and

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- [<sup>F1565</sup>(aa) in the case of an arrangement within sub-paragraph (4)(a), that the valuation assumptions apply (see section 277),]
- (b) [<sup>F1566</sup>in the case of any other arrangement, that] if the individual had not reached the lowest age at which a pension may be paid under a pension scheme within paragraph 1(1)(a) to a person in good health without giving the Board of Inland Revenue grounds for withdrawing the approval of the pension [<sup>F1567</sup>scheme] that fact would not give the Board such grounds.
- [<sup>F1568</sup>(5A) This sub-paragraph applies where, in the case of an arrangement under a pension scheme which immediately before 6th April 2006 was within section 611A(1)(a) of ICTA—
- (a) a lump sum could be paid to the individual on 5th April 2006 under the pension scheme otherwise than by commutation of pension, and
- (b) that lump sum could not be exchanged (in whole or in part) for an increased pension.
- (5B) Where sub-paragraph (5A) applies, the amount arrived at under sub-paragraph (3) is the aggregate of what it otherwise would be and so much of the amount of the lump sum as could not be so exchanged.]
- (6) For the purposes of this paragraph an arrangement relating to an individual relates to an employment if—
- (a) the earnings by reference to which benefits under the arrangement are calculated are earnings from the employment, or
- (b) the person who is the employer in relation to the employment pays contributions under the arrangement in respect of the individual.

#### Textual Amendments

- F1558** Words in Sch. 36 para. 9(2) repealed (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), Sch. 10 paras. 52(3)(a), 64(1), [Sch. 11 Pt. 4](#)
- F1559** Words in Sch. 36 para. 9(2)(a) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 52\(3\)\(b\)](#), 64(1)
- F1560** Words in Sch. 36 para. 9(3) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 36\(2\)](#)
- F1561** Words in Sch. 36 para. 9(4) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 52\(4\)](#), 64(1)
- F1562** Word in Sch. 36 para. 9(4)(a) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 45](#)
- F1563** Words in Sch. 36 para. 9(5)(a) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 52\(5\)\(a\)](#), 64(1)
- F1564** Word in Sch. 36 para. 9(5)(a) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 52\(5\)\(a\)](#), 64(1)
- F1565** Sch. 36 para. 9(5)(aa) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 52\(5\)\(b\)](#), 64(1)
- F1566** Words in Sch. 36 para. 9(5)(b) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 52\(5\)\(c\)](#), 64(1)
- F1567** Word in Sch. 36 para. 9(5)(b) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 52\(5\)\(c\)](#), 64(1)
- F1568** Sch. 36 para. 9(5A)(5B) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 36\(3\)](#)

- 10 (1) The value of the individual's relevant crystallised pension rights on 5th April 2006 is—

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## 25 × ARP

where ARP is an amount equal to the annual rate at which any relevant existing pension is payable to the individual on 5th April 2006 or, if more than one relevant existing pension is payable to the individual on that date, to the aggregate of the annual rates at which each of the relevant existing pensions is so payable.

- (2) “Relevant existing pension” means—
- (a) a pension under a retirement benefits scheme approved for the purposes of Chapter 1 of Part 14 of ICTA,
  - (b) a pension under a former approved superannuation fund (defined as for the purposes of paragraph 1(1)(b)),
  - (c) a pension under a relevant statutory scheme, as defined in section 611A of ICTA, or a pension scheme treated by the Inland Revenue as if it were such a relevant statutory scheme,
  - (d) an annuity (or pension in the form of income drawdown) under an annuity contract by means of which benefits provided under a pension scheme within paragraph (a), (b) or (c) have been secured,
  - (e) a pension under a scheme or fund mentioned in section 613(4)(b) to (d) of ICTA (Parliamentary pension schemes or funds),
  - (f) an annuity under an annuity contract or trust scheme approved under section 620 or 621 of ICTA or a substituted contract within the meaning of section 622(3) of ICTA,
  - (g) an annuity acquired using funds held for the purposes of a personal pension scheme approved under Chapter 4 of Part 14 of ICTA, or
  - (h) a right to make income withdrawals under section 634A of ICTA.
- (3) But a pension, annuity or right is not a relevant existing pension if entitlement to it was attributable to the death of any person.
- (4) In the case of a pension within sub-paragraph (2) taking the form of income drawdown, the annual rate at which the pension is payable on 5th April 2006 is the amount which, on that date, is the maximum annual amount that may be drawn down by the individual as income in accordance with the pension scheme or contract concerned.
- (5) In the case of a right which is a relevant existing pension by virtue of sub-paragraph (2)(h), the annual rate at which the pension is payable on 5th April 2006 is the maximum amount of income withdrawals that may be made by the individual in the period of 12 months referred to in section 634A(4) of ICTA during which 5th April 2006 falls.
- 11 (1) This paragraph applies where—
- (a) paragraph 7 makes provision for the operation of a lifetime allowance enhancement factor in relation to an individual, and
  - (b) on or after 6th April 2006, the rights of the individual under a relevant pension arrangement (see paragraph 8(2)) relating to the individual are reduced by becoming subject to a pension debit.
- (2) The primary protection factor (see paragraph 7(3)) is to be recalculated.

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- (3) The recalculation involves reducing RR (see paragraph 7(3)) by the amount by which the individual's rights are reduced and arriving at a revised primary protection factor.
- (4) The revised primary protection factor operates in relation to any benefit crystallisation event occurring in relation to the individual after the time when the individual's rights are reduced by becoming subject to the pension debit.
- <sup>F1569</sup>11(A) This paragraph applies where—
- (a) paragraph 7 makes provision for the operation of a lifetime allowance enhancement factor in relation to an individual immediately before the individual's death (and any calculation required by paragraph 11 does not mean that there is then no longer a primary protection factor),
  - (b) a person is paid a defined benefits lump sum death benefit or an uncrystallised funds lump sum death benefit in respect of the individual, and
  - (c) notice of intention to rely on this paragraph is given to an officer of Revenue and Customs by that person in accordance with regulations made by the Commissioners for Her Majesty's Revenue and Customs.
- (2) If the value of the individual's pre-commencement rights to death benefits (see paragraphs 11B to 11D) exceeds RR (as adjusted under paragraph 11, where that paragraph applies), the primary protection factor is to be recalculated.
- (3) The re-calculation involves taking RR to be the value of the individual's pre-commencement rights to death benefits and arriving at a revised primary protection factor.
- (4) The revised primary protection factor operates in relation to—
- (a) the benefit crystallisation event consisting of the payment of the lump sum death benefit, and
  - (b) any other benefit crystallisation event consisting of the payment of a lump sum death benefit in respect of the individual.

#### Textual Amendments

**F1569**Sch. 36 paras. 11A-11D inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 161\(2\), Sch. 23 para. 38](#)

- 11B (1) This paragraph and paragraphs 11C and 11D specify the value of the individual's pre-commencement rights to death benefits.
- (2) Subject to paragraphs 11C and 11D, the value of the individual's pre-commencement rights to death benefits is the aggregate of the maximum amounts that could have been paid—
- (a) in respect of the individual as uncrystallised rights lump sum death benefits, and
  - (b) under relevant pension arrangements relating to the individual, if the individual had died on 5th April 2006.
- (3) Lump sum death benefits are “uncrystallised rights lump sum death benefits” if they are attributable to rights in respect of which the individual had not, on 5th April 2006, become entitled to the present payment of benefits.



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- (4) An arrangement is a “relevant pension arrangement” if it is an arrangement under a pension scheme within paragraph 1(1).

#### Textual Amendments

**F1569**Sch. 36 paras. 11A-11D inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 38](#)

- 11C (1) In arriving at the aggregate mentioned in paragraph 11B(2) the following amounts are to be left out of account—
- (a) in the case of any lump sum death benefit which could have been paid under a pension scheme in the case of which approval could have been withdrawn under section 591B, 620(7) or 650 of ICTA, any amount in excess of the permitted limit (see sub-paragraph (2)), and
  - (b) in the case of any lump sum death benefit which could have been paid under an arrangement in the case of which rights to such a benefit are commuted into prospective rights to receive dependants' pensions, any dependants' pension proportion amount (see sub-paragraphs (3) and (4)).
- (2) An “amount in excess of the permitted limit” is so much (if any) of the maximum amount of any lump sum death benefit as could not have been paid without having given grounds for withdrawing approval of the pension scheme under section 591B, 620(7) or 650 of ICTA.
- (3) A “dependants' pension proportion amount” is so much (if any) of the maximum amount of any lump sum death benefit which could have been paid under the arrangement as is the dependants' pension proportion of the lump sum death benefit.
- (4) The dependants' pension proportion is—

UTATAUTA

where—

TA is the amount which, at the time when a defined benefits lump sum death benefit or uncrystallised funds lump sum death benefit is first paid in respect of the individual, is the aggregate of the maximum amounts of any defined benefits lump sum death benefits or uncrystallised funds lump sum death benefits which could be paid under the arrangement in respect of the individual, and

UTA is what TA would be if no prospective rights to the payment of any of those lump sum death benefits had been commuted into prospective rights to receive dependants' pensions.

#### Textual Amendments

**F1569**Sch. 36 paras. 11A-11D inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 38](#)

- 11D (1) Sub-paragraph (2) applies where any of the lump sum death benefits mentioned in sub-paragraph (2) of paragraph 11B would have been payable under a policy of life insurance held for the purposes of a pension scheme and on 5th April 2006 the pension scheme either—

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- (a) was not an occupational pension scheme, or
  - (b) was an occupational pension scheme with fewer than 20 members.
- (2) The lump sum death benefit is only to be taken into account in arriving at the aggregate mentioned in that sub-paragraph if—
- (a) a sum was paid under the policy when the individual actually died, and
  - (b) the terms of the policy had not been varied significantly during the period beginning with 5th April 2006 and ending with the death;
- and any exercise of rights conferred by the policy is to be regarded for this purpose as a variation.
- [ A variation of the terms of a policy of life insurance made in order to comply with
- <sup>F1570</sup>(2A) [<sup>F1571</sup>Part 5 of the Equality Act 2010, so far as relating to age, or the] Employment Equality (Age) Regulations (Northern Ireland) 2006 (or any regulations amending or replacing [<sup>F1572</sup>those Regulations.]) is to be ignored for the purposes of sub-paragraph (2).
- (2B) Where a policy of life insurance held on 5th April 2006 for the purposes of an occupational pension scheme is surrendered and a new one is taken out—
- (a) as part of a retirement-benefit activities compliance exercise, or
  - (b) to comply with the [<sup>F1573</sup>Part 5 of the Equality Act 2010, so far as relating to age, or the] Employment Equality (Age) Regulations (Northern Ireland) 2006 (or any regulations amending or replacing [<sup>F1574</sup>those Regulations.]),
- the new policy is to be treated for the purposes of sub-paragraph (2) as if it were the same as the old.
- (2C) For this purpose a policy of life insurance is surrendered and a new one is taken out as part of a retirement-benefit activities compliance exercise if—
- (a) the surrender of the old policy and taking out of the new policy constitute or form part of a transaction the purpose of which is to secure that the activities of the pension scheme are limited to retirement-benefit activities within the meaning of section 255 of the Pensions Act 2004 or Article 232 of the Pensions (Northern Ireland) Order 2005, and
  - (b) the rights under the old policy and the new policy are not significantly different.]
- (3) Sub-paragraph (4) applies where any of the lump sum death benefits mentioned in sub-paragraph (2) of paragraph 11B would have been payable under an occupational pension scheme.
- (4) The lump sum death benefit is only to be taken into account in arriving at the aggregate mentioned in that sub-paragraph if—
- (a) the individual was employed by a person on 5th April 2006 and continued to be employed by that person or a person connected with that person until the time when the individual died,
  - (b) that person was a sponsoring employer in relation to the pension scheme on 5th April 2006, and
  - (c) the individual had not become entitled to the present payment of benefits in respect of rights under the pension scheme before the time when the individual died.

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[<sup>F1575</sup>(5) For the purposes of this paragraph whether a person is connected with another person is determined in accordance with section 993 of ITA 2007.]

#### Textual Amendments

**F1569**Sch. 36 paras. 11A-11D inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 38](#)

**F1570**Sch. 36 paras. 11D(2A)-(2C) inserted (retrospective to 6.4.2006) by [Finance Act 2007 \(c. 11\)](#), [Sch. 20 paras. 15, 24\(3\)](#)

**F1571**Words in Sch. 36 para. 11D(2A) substituted by 2010 c. 15, Sch. 26 Pt. 1 para. 59(a) (as inserted (E.W.S.) (1.10.2010) by [The Equality Act 2010 \(Consequential Amendments, Saving and Supplementary Provisions\) Order 2010 \(S.I. 2010/2279\)](#), art. 1(2), [Sch. 1 para. 5](#) (see S.I. 2010/2317, art. 2))

**F1572**Words in Sch. 36 para. 11D(2A) substituted by 2010 c. 15, Sch. 26 Pt. 1 para. 59(b) (as inserted (E.W.S.) (1.10.2010) by [The Equality Act 2010 \(Consequential Amendments, Saving and Supplementary Provisions\) Order 2010 \(S.I. 2010/2279\)](#), art. 1(2), [Sch. 1 para. 5](#) (see S.I. 2010/2317, art. 2))

**F1573**Words in Sch. 36 para. 11D(2B)(b) substituted by 2010 c. 15, Sch. 26 Pt. 1 para. 59(a) (as inserted (E.W.S.) (1.10.2010) by [The Equality Act 2010 \(Consequential Amendments, Saving and Supplementary Provisions\) Order 2010 \(S.I. 2010/2279\)](#), art. 1(2), [Sch. 1 para. 5](#) (see S.I. 2010/2317, art. 2))

**F1574**Words in Sch. 36 para. 11D(2B)(b) substituted by 2010 c. 15, Sch. 26 Pt. 1 para. 59(b) (as inserted (E.W.S.) (1.10.2010) by [The Equality Act 2010 \(Consequential Amendments, Saving and Supplementary Provisions\) Order 2010 \(S.I. 2010/2279\)](#), art. 1(2), [Sch. 1 para. 5](#) (see S.I. 2010/2317, art. 2))

**F1575**Sch. 36 para. 11D(5) 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. 485](#) (with [Sch. 2](#))

#### “Enhanced protection”

- 12 (1) This paragraph applies on and after 6th April 2006 in the case of an individual who has one or more relevant existing arrangements if notice of intention to rely on it is given to the Inland Revenue in accordance with regulations made by the Board of Inland Revenue.
- (2) But this paragraph ceases to apply if—
- (a) relevant benefit accrual occurs under the arrangement, or any of the arrangements (see paragraph 13),
  - [<sup>F1576</sup>(aa) there is an impermissible transfer into the arrangement or any of the arrangements (see paragraph 17A),]
  - (b) a transfer of sums or assets held for the purposes of, or representing accrued rights under, the arrangement or any of the arrangements is made that is not a permitted transfer, or
  - (c) an arrangement relating to the individual is made under a registered pension scheme otherwise than [<sup>F1577</sup>in permitted circumstances].
- [<sup>F1578</sup>(2A) An arrangement is made in permitted circumstances if it is made—
- (a) for the purposes of a permitted transfer,
  - (b) as part of a retirement-benefit activities compliance exercise, or
  - (c) as part of an age-equality compliance exercise.
- (2B) For the purposes of sub-paragraph (2A)(b) an arrangement (“the new arrangement”) relating to an individual is made as part of a retirement-benefit activities compliance exercise if—

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- (a) it is made in connection with the cancellation of rights under another arrangement relating to the individual (“the old arrangement”),
  - (b) the old arrangement and the new arrangement relate to the same employment,
  - (c) there is a prospective entitlement to pension death benefits within section 167(1) or lump sum death benefits within section 168(1) (or both) under both the old arrangement and the new arrangement,
  - (d) the making of the new arrangement and the cancellation of the old arrangement constitute or form part of a transaction the purpose of which is to secure that the activities of the pension scheme under which the arrangement is made are limited to retirement-benefit activities within the meaning of section 255 of the Pensions Act 2004 or Article 232 of the Pensions (Northern Ireland) Order 2005, and
  - (e) the rights cancelled under the old arrangement and the rights conferred under the new arrangement are not significantly different.
- (2C) For the purposes of sub-paragraph (2A)(c) an arrangement (“the new arrangement”) is made as part of an age-equality compliance exercise if—
- (a) it is made in connection with the cancellation of rights under another arrangement relating to the individual (“the old arrangement”),
  - (b) the old arrangement and the new arrangement relate to the same employment,
  - (c) there is a prospective entitlement to pension death benefits within section 167(1) or lump sum death benefits within section 168(1) (or both) under both the old arrangement and the new arrangement, and
  - (d) the new arrangement is made, and the old arrangement cancelled, in order to comply with the [F1579]Part 5 of the Equality Act 2010, so far as relating to age, or the] or Employment Equality (Age) Regulations (Northern Ireland) 2006 (or any regulations amending or replacing [F1580]those Regulations[).]
- (3) Where this paragraph applies in the case of an individual
- [F1581](a) there is no liability to the lifetime allowance charge in respect of the individual, and
  - (b) the payment of a lifetime allowance excess lump sum to the individual is not permitted by the lump sum rule (see section 166).]
- (4) An individual has a relevant existing arrangement if—
- (a) before 6th April 2006 an arrangement relating to the individual has been made under a pension scheme within paragraph 1(1), and
  - (b) the pension scheme becomes a registered pension scheme on that date.
- (5) Notice of intention to rely on this paragraph in relation to the individual may not be given in a case where—
- (a) the value of the uncrystallised rights of the individual on 5th April 2006 under an arrangement, or
  - (b) the aggregate of the values of the uncrystallised rights of the individual on 5th April 2006 under arrangements,
- is arrived at in accordance with paragraph [F1582]9(3)] unless such rights as, in accordance with regulations made by the Board of Inland Revenue, are to be treated as representing the relevant excess have been surrendered.

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- (6) In sub-paragraph (5) “the relevant excess” means the amount by which the value of—
- (a) the individual’s uncrystallised rights, or
  - (b) the aggregate of the values of the individual’s uncrystallised rights,
- as arrived at in accordance with paragraph 8 exceeds what it would be if arrived at under paragraph [<sup>F1583</sup>9(3)].
- (7) For the purposes of this paragraph and paragraphs 13 and 15, a transfer of sums or assets held for the purposes of, or representing accrued rights under, an arrangement is a permitted transfer if—
- (a) <sup>F1584</sup> . . . . .
  - (b) the sums or assets <sup>F1585</sup> . . . are transferred so that sub-paragraph (8) applies in relation to them, and
  - (c) the aggregate of the amount of [<sup>F1586</sup>the] sums and the market value of [<sup>F1586</sup>the] assets is, applying normal actuarial practice, equivalent before and after the transfer.
- (8) This sub-paragraph applies in relation to sums or assets held for the purposes of, or representing accrued rights under, the arrangement if—
- (a) they are transferred so as to become held for the purposes of a money purchase arrangement that is not a cash balance arrangement <sup>F1587</sup> . . . <sup>F1587</sup> . . .
  - (b) where the transfer occurs in connection with the winding up of the pension scheme under which the arrangement is made and the arrangement is a cash balance arrangement or a defined benefits arrangement, they are transferred so as to become held for the purposes of, or to represent rights under, a cash balance arrangement or defined benefits arrangement relating to the same employment as the arrangement and made under a registered pension scheme or recognised overseas pension scheme.
  - <sup>F1588</sup>(c) where the arrangement is a cash balance arrangement or a defined benefits arrangement relating to a present or former employment, they are transferred in connection with a relevant business transfer so as to become held for the purposes of, or to represent rights under, a cash balance arrangement or defined benefits arrangement made under a registered pension scheme or recognised overseas pension scheme, or
  - (d) where the arrangement (“the old arrangement”) is a cash balance arrangement or a defined benefits arrangement, they are transferred as part of a retirement-benefit activities compliance exercise so as to become held for the purposes of, or to represent rights under, a cash balance arrangement or defined benefits arrangement (“the new arrangement”) relating to the same employment as the old arrangement and made under a registered pension scheme or recognised overseas pension scheme.]
- <sup>F1589</sup>(8A) For the purposes of sub-paragraph (8)(c) “relevant business transfer” means a transfer of an undertaking or a business (or part of an undertaking or a business) from one person to another—
- (a) which involves the transfer of at least 20 employees, and
  - (b) in the case of which, if the transferor and the transferee are bodies corporate, they would not be treated as members of the same group for the purposes of [<sup>F1590</sup>Part 5 of the Corporation Tax Act 2010] .

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- (8B) For the purposes of sub-paragraph (8)(d) sums or assets held for the purposes of, or representing accrued rights under, the old arrangement are transferred as part of a retirement-benefit activities compliance exercise if—
- (a) there is a prospective entitlement to pension death benefits within section 167(1) or lump sum death benefits within section 168(1) (or both) under both the old arrangement and the new arrangement, and
  - (b) the transfer constitutes or forms part of a transaction the purpose of which is to secure that the activities of the pension scheme under which the old arrangement was made are limited to retirement-benefit activities within the meaning of section 255 of the Pensions Act 2004 or Article 232 of the Pensions (Northern Ireland) Order 2005.]
- (9) Where there is a permitted transfer—
- (a) if the transfer is a permitted transfer by virtue of sub-paragraph (8)(a), this paragraph (and paragraphs 13 [F1591, 14 and 17A(1) and (2)]) apply in relation to the arrangement F1592 . . . to which the transfer is made, and
  - (b) if the transfer is a permitted transfer by virtue of sub-paragraph (8)(b) [F1593 or (d)], this paragraph (and paragraphs 13 [F1594, 15 and 17A(3)] [F1595 to 17]) apply as if the arrangement to which the transfer is made were the same as that from which it is made, [F1596 and
  - (c) if the transfer is a permitted transfer by virtue of sub-paragraph (8)(c), this paragraph (and paragraphs 13, 15 to 17 and 17A(3)) apply as if the arrangement to which the transfer is made were the same as that from which it is made and (if the employment is transferred) as if the employment with the transferee were the employment with the transferor.]
- [F1597(10) The Treasury may by order amend sub-paragraph (8) (and make other amendments consequential on any amendment of that sub-paragraph).]

#### Textual Amendments

- F1576**Sch. 36 para. 12(2)(aa) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 53\(3\)](#), 64(1)
- F1577**Words in Sch. 36 para. 12(2)(c) substituted (retrospectively) by [Finance Act 2007 \(c. 11\)](#), [Sch. 20 paras. 17\(2\)](#), 24(3)
- F1578**Sch. 36 para. 12(2A)-(2C) inserted (retrospectively) by [Finance Act 2007 \(c. 11\)](#), [Sch. 20 paras. 17\(3\)](#), 24(3)
- F1579**Words in Sch. 36 para. 12(2C)(d) substituted by 2010 c. 15, Sch. 26 Pt. 1 para. 59(a) (as inserted (E.W.S.) (1.10.2010) by [The Equality Act 2010 \(Consequential Amendments, Saving and Supplementary Provisions\) Order 2010 \(S.I. 2010/2279\)](#), art. 1(2), [Sch. 1 para. 5](#) (see S.I. 2010/2317, art. 2))
- F1580**Words in Sch. 36 para. 12(2C)(d) substituted by 2010 c. 15, Sch. 26 Pt. 1 para. 59(b) (as inserted (E.W.S.) (1.10.2010) by [The Equality Act 2010 \(Consequential Amendments, Saving and Supplementary Provisions\) Order 2010 \(S.I. 2010/2279\)](#), art. 1(2), [Sch. 1 para. 5](#) (see S.I. 2010/2317, art. 2))
- F1581**Sch. 36 para. 12(3)(a)(b) substituted for words (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 53\(4\)](#), 64(1)
- F1582**Word in Sch. 36 para. 12(5) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 53\(5\)](#), 64(1)
- F1583**Word in Sch. 36 para. 12(6) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 53\(5\)](#), 64(1)
- F1584**Sch. 36 para. 12(7)(a) omitted (retrospectively) by virtue of [Finance Act 2007 \(c. 11\)](#), [Sch. 20 paras. 17\(4\)\(a\)](#), 24(3)
- F1585**Words in Sch. 36 para. 12(7)(b) omitted (retrospectively) by virtue of [Finance Act 2007 \(c. 11\)](#), [Sch. 20 paras. 17\(4\)\(b\)](#), 24(3)

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- F1586** Words in Sch. 36 para. 12(7)(c) substituted (retrospectively) by Finance Act 2007 (c. 11), **Sch. 20 paras. 17(4)(c), 24(3)**
- F1587** Words in Sch. 36 para. 12(8)(a) omitted (retrospectively) by virtue of Finance Act 2007 (c. 11), **Sch. 20 paras. 17(5), 24(3)**
- F1588** Sch. 36 para. 12(8)(c)(d) inserted (retrospectively) by Finance Act 2007 (c. 11), **Sch. 20 paras. 17(6), 24(3)**
- F1589** Sch. 36 para. 12(8A)(8B) inserted (retrospectively) by Finance Act 2007 (c. 11), **Sch. 20 paras. 17(7), 24(3)**
- F1590** Words in Sch. 36 para. 12(8A)(b) substituted (with effect in accordance with s. 1184(1) of the amending Act) by Corporation Tax Act 2010 (c. 4), s. 1184(1), **Sch. 1 para. 432(2)** (with Sch. 2)
- F1591** Words in Sch. 36 para. 12(9)(a) substituted (6.4.2006) by Finance Act 2005 (c. 7), **Sch. 10 paras. 53(6)(a), 64(1)**
- F1592** Words in Sch. 36 para. 12(9)(a) omitted (retrospectively) by virtue of Finance Act 2007 (c. 11), **Sch. 20 paras. 17(8)(a), 24(3)**
- F1593** Words in Sch. 36 para. 12(9)(b) inserted (retrospectively) by Finance Act 2007 (c. 11), **Sch. 20 paras. 17(8)(b), 24(3)**
- F1594** Words in Sch. 36 para. 12(9)(b) substituted (6.4.2006) by Finance Act 2005 (c. 7), **Sch. 10 paras. 53(6)(b), 64(1)**
- F1595** Words in Sch. 36 para. 12(9)(b) inserted (retrospectively) by Finance Act 2007 (c. 11), **Sch. 20 paras. 17(8)(b), 24(3)**
- F1596** Sch. 36 para. 12(9)(c) and preceding word inserted (retrospectively) by Finance Act 2007 (c. 11), **Sch. 20 paras. 17(8)(c), 24(3)**
- F1597** Sch. 36 para. 12(10) inserted (retrospectively) by Finance Act 2007 (c. 11), **Sch. 20 paras. 17(9), 24(3)**

**Modifications etc. (not altering text)**

- C261** Sch. 36 para. 12 construed as one with reg. 30 (6.4.2006) by The Pension Protection Fund (Tax) Regulations 2006 (S.I. 2006/575), regs. 1, **30(3)**
- C262** Sch. 36 para. 12 modified (6.4.2006) by The Pension Protection Fund (Tax) Regulations 2006 (S.I. 2006/575), regs. 1, **30(2)**
- C263** Sch. 36 para. 12(2A)-(2C) applied (19.7.2011) by Finance Act 2011 (c. 11), **Sch. 18 para. 14(10)**
- C264** Sch. 36 para. 12(2A)-(2C) applied (with application in accordance with Sch. 22 para. 1 of the amending Act) by Finance Act 2013 (c. 29), **Sch. 22 para. 1(9)**
- C265** Sch. 36 para. 12(2A)-(2C) applied (15.9.2016) by Finance Act 2016 (c. 24), **Sch. 4 para. 7**
- C266** Sch. 36 para. 12(7)-(8B) applied (19.7.2011) by Finance Act 2011 (c. 11), **Sch. 18 para. 14(9)**
- C267** Sch. 36 para. 12(7)-(8B) applied (with application in accordance with Sch. 22 para. 1 of the amending Act) by Finance Act 2013 (c. 29), **Sch. 22 para. 1(8)**
- C268** Sch. 36 para. 12(7)-(8B) applied (15.9.2016) by Finance Act 2016 (c. 24), **Sch. 4 para. 6**
- C269** Sch. 36 para. 12(8) modified (6.4.2006) by The Taxation of Pension Schemes (Transitional Provisions) Order 2006 (S.I. 2006/572), arts. 1(1), **35**

- 13 Relevant benefit accrual occurs in relation to an individual under an arrangement—
- (a) in the case of a money purchase arrangement that is not a cash balance arrangement, if a relevant contribution is paid under the arrangement [<sup>F1598</sup>or, where the arrangement has been a hybrid arrangement, if a relevant contribution was so paid at any time after 5th April 2006,] (see paragraph 14), and
- (b) in the case of a cash balance arrangement or defined benefits arrangement, if, when a benefit crystallisation event or transfer that is a permitted transfer by virtue of paragraph 12(8)(a) (a “relevant event”) occurs in relation to the individual and the arrangement, the relevant crystallised amount exceeds the appropriate limit (see paragraph 15).

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### Textual Amendments

**F1598** Words in Sch. 36 para. 13(a) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 53\(7\), 64\(1\)](#)

- 14 (1) For the purposes of paragraph 13(a) a relevant contribution is paid under the arrangement if—
- (a) a relievable pension contribution is paid by or on behalf of the individual under the arrangement,
  - (b) a contribution is paid in respect of the individual under the arrangement by an employer of the individual, or
  - (c) a contribution paid [<sup>F1599</sup>otherwise than by or on behalf of the individual or by an employer of the individual] in respect of the individual subsequently becomes held for the purposes of the provision under the arrangement of benefits to or in respect of the individual.

<sup>F1600</sup>(2) .....

- [<sup>F1601</sup>(3) A contribution is not a relevant contribution for the purposes of paragraph 13(a) if—
- (a) it may only be applied for or towards the payment of premiums under a policy of insurance on the life of the individual,
  - (b) the policy is issued, or issued in respect of insurances made, before 6th April 2006,
  - (c) there is no right to surrender any rights under the policy,
  - (d) the terms of the policy are not varied significantly during the period beginning with 6th April 2006 and ending with the individual's actual death so as to increase the benefits payable under the policy or extend the period during which benefits are so payable, and
  - (e) no benefits are paid, or other payments made, under (or on the surrender of rights under) the policy except by reason of the individual's death;
- and any exercise of rights conferred by the policy is to be regarded for this purpose as a variation.

[<sup>F1602</sup>(3A) A variation of the terms of a policy made in order to comply with the [<sup>F1603</sup>Part 5 of the Equality Act 2010, so far as relating to age, or the] Employment Equality (Age) Regulations (Northern Ireland) 2006 (or any regulations amending or replacing [<sup>F1604</sup>those Regulations]) is to be ignored for the purposes of sub-paragraph (3).

- (3B) Where a policy of insurance on the life of the individual issued, or issued in respect of insurances made, before 6th April 2006 is surrendered and a new one is taken out—
- (a) as part of a retirement-benefit activities compliance exercise, or
  - (b) as part of an age-equality compliance exercise.

the new policy is to be treated for the purposes of sub-paragraph (3) as if it were the same as the old.

- (3C) For the purposes of sub-paragraph (3B)(a) a policy is surrendered, and a new policy of life insurance is taken out, as part of a retirement-benefit activities compliance exercise if—
- (a) the surrender of the old policy and the taking out of the new policy constitute or form part of a transaction the purpose of which is to secure that the activities of the pension scheme under which the arrangement is made are limited to retirement-benefit activities within the meaning of section 255



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- of the Pensions Act 2004 or Article 232 of the Pensions (Northern Ireland) Order 2005, and
- (b) the rights under the old policy and the new policy are not significantly different.
- (3D) For the purposes of sub-paragraph (3B)(b) a policy is surrendered, and a new policy of life insurance is taken out, as part of an age-equality compliance exercise if—
- (a) the old policy is surrendered, and the new policy is taken out, in order to comply with [<sup>F1605</sup>Part 5 of the Equality Act 2010, so far as relating to age, or the] or Employment Equality (Age) Regulations (Northern Ireland) 2006 (or any regulations amending or replacing [<sup>F1606</sup>those Regulations]), and
- (b) any significant difference between the rights under the old policy and the rights under the new policy is attributable to the need to comply with those Regulations (or any regulations amending or replacing them).]
- (4) A contribution is not a relevant contribution for the purposes of paragraph 13(a) if it is paid—
- (a) by a sponsoring employer,
- (b) under a relevant hybrid arrangement, and
- (c) solely in respect of the provision in respect of the individual of lump sum death benefits which are defined benefits or cash balance benefits.
- (5) A “relevant hybrid arrangement” is a hybrid arrangement under an occupational pension scheme—
- (a) which subsequently becomes a money purchase arrangement that is not a cash balance arrangement, and
- (b) under which lump sum death benefits would have been payable in respect of the individual if the individual had died on 5th April 2006.]

#### Textual Amendments

- F1599** Words in Sch. 36 para. 14(1)(c) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 53\(9\), 64\(1\)](#)
- F1600** Sch. 36 para. 14(2) omitted (retrospective to 6.4.2013) by virtue of [Finance Act 2013 \(c. 29\)](#), [s. 52\(9\)\(10\)](#)
- F1601** Sch. 36 para. 14(3)-(5) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), [s. 161\(2\)](#), [Sch. 23 para. 39](#)
- F1602** Sch. 36 para. 14(3A)-(3D) inserted (retrospective to 6.4.2006) by [Finance Act 2007 \(c. 11\)](#), [Sch. 20 paras. 18, 24\(3\)](#)
- F1603** Words in Sch. 36 para. 14(3A) substituted by Equality Act 2010 (c. 15), Sch. 26 Pt. 1 para. 59(a) (as inserted (E.W.S.) (1.10.2010) by [S.I. 2010/2279](#), [art. 1\(2\)](#), [Sch. 1 para. 5](#) (see [S.I. 2010/2317](#), [art. 2](#)))
- F1604** Words in Sch. 36 para. 14(3A) substituted by Equality Act 2010 (c. 15), Sch. 26 Pt. 1 para. 59(b) (as inserted (E.W.S.) (1.10.2010) by [S.I. 2010/2279](#), [art. 1\(2\)](#), [Sch. 1 para. 5](#) (see [S.I. 2010/2317](#), [art. 2](#)))
- F1605** Words in Sch. 36 para. 14(3D)(a) substituted by Equality Act 2010 (c. 15), Sch. 26 Pt. 1 para. 59(a) (as inserted (E.W.S.) (1.10.2010) by [S.I. 2010/2279](#), [art. 1\(2\)](#), [Sch. 1 para. 5](#) (see [S.I. 2010/2317](#), [art. 2](#)))
- F1606** Words in Sch. 36 para. 14(3D)(a) substituted by Equality Act 2010 (c. 15), Sch. 26 Pt. 1 para. 59(b) (as inserted (E.W.S.) (1.10.2010) by [S.I. 2010/2279](#), [art. 1\(2\)](#), [Sch. 1 para. 5](#) (see [S.I. 2010/2317](#), [art. 2](#)))

#### Modifications etc. (not altering text)

- C270** Sch. 36 para. 14 applied (19.7.2011) by [Finance Act 2011 \(c. 11\)](#), [Sch. 18 para. 14\(11\)](#)
- C271** Sch. 36 para. 14 applied (with application in accordance with Sch. 22 para. 1 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 22 para. 1\(10\)](#)

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**C272** Sch. 36 para. 14 applied (15.9.2016) by Finance Act 2016 (c. 24), Sch. 4 para. 4(4)

- 15 (1) For the purposes of paragraph 13(b) “the relevant crystallised amount” is—
- (a) if the relevant event is the first relevant event occurring in relation to the individual and to the arrangement or any other cash balance arrangement or defined benefits arrangement related to the arrangement (“the first relevant event”), the amount crystallised by that event, and
  - (b) otherwise, the aggregate of the amount crystallised by the relevant event and the amount crystallised by the relevant event, or by each of the relevant events, which has or have previously occurred in relation to the individual and to the arrangement or any other cash balance arrangement or defined benefits arrangement related to the arrangement.
- (2) If the relevant event is a permitted transfer which is not a benefit crystallisation event, sub-paragraph (1) applies as if the amount crystallised by the event were the aggregate of—
- (a) the amount of any sums held for the purposes of, or representing accrued rights under, the arrangement [<sup>F1607</sup>which are transferred], and
  - (b) the market value of any assets held for the purposes of, or representing accrued rights under, the arrangement [<sup>F1607</sup>which are transferred].
- (3) For the purposes of this paragraph (and [<sup>F1608</sup>paragraphs 15A and 16]) another arrangement is related to the arrangement if—
- (a) the other arrangement relates to the individual, and
  - (b) both the arrangement and the other arrangement relate to the same employment;
- and whether an arrangement relates to an employment is to be determined in accordance with paragraph 9(6).
- (4) For the purposes of paragraph 13(b) “the appropriate limit”, in relation to a relevant event, [<sup>F1609</sup>is (subject to paragraph 15A) the greater] of—
- (a) the value of the individual’s rights on 5th April 2006 under the arrangement, or (where there is or are one or more other cash balance arrangements or defined benefits arrangements related to the arrangement) the aggregate of the value of the individual’s rights under the arrangement and the other arrangement or arrangements, arrived at in accordance with paragraphs 8 and 9, as increased by the relevant indexation percentage (see sub-paragraph (5)), and
  - (b) what would be the value of those rights, so arrived at, on the assumptions specified in sub-paragraph (6).
- (5) For the purposes of sub-paragraph (4)(a) [<sup>F1610</sup>and paragraph 15A(2)(a)] “the relevant indexation percentage”, in relation to a relevant event, means whichever is the greatest of—
- (a) the percentage by which an amount would be increased if it were increased for the period beginning with 6th April 2006 and ending with the date on which the relevant event occurs at an annual rate of 5%,
  - (b) the percentage by which an amount would be increased if it were increased for that period at an annual percentage rate referred to in regulations made by the Board of Inland Revenue, and

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- (c) the percentage by which the retail prices index for the month in which the relevant event occurs is higher than that for April 2006.
- (6) The assumptions referred to in sub-paragraph (4)(b) [<sup>F1611</sup>and paragraph 15A(2)(b)] are—
- (a) that the individual’s age on 5th April 2006 were what it is at the time of the first relevant event (so that neither paragraph 8(6) nor section 277(a) applies in arriving at what would be the value of the rights under paragraph 8), and
- (b) that the amount of the earnings which would have fallen to be taken into account under the arrangement for calculating the amount of benefits payable to or in respect of the individual (if the individual became entitled to the present payment of benefits in respect of the rights under the arrangement on that date) were the lesser of the two amounts specified in sub-paragraph (7).
- (7) The amounts referred to in sub-paragraph (6)(b) are—
- (a) the current amount of the relevant pensionable earnings immediately before the first relevant event, and
- (b) the post-commencement earnings limit (see paragraphs 16 and 17).
- (8) But sub-paragraph (6)(b) applies in relation to an arrangement under a pension scheme within paragraph 1(1)(c) or (e) as if for “the lesser of the two amounts specified in sub-paragraph (7)” there were substituted “ the amount specified in sub-paragraph (7)(a) ”.
- (9) In this paragraph “the relevant pensionable earnings” means the description of earnings (or the portion of the description of earnings) of the individual by reference to which the amount of benefits payable to or in respect of the individual would have fallen to be calculated if the individual became entitled to the present payment of benefits in respect of the rights under the arrangement on 5th April 2006.
- (10) For the purposes of sub-paragraph (7)(a) “the current amount” of the relevant pensionable earnings immediately before the first relevant event is the amount of the relevant pensionable earnings which, at that time, would fall to be taken into account in calculating the amount of benefits payable to or in respect of the individual under the arrangement if the individual became entitled to the present payment of benefits at that time (but subject to sub-paragraph (11)).
- (11) If at that time the individual is absent from work in connection with pregnancy, maternity, paternity or adoption, the current amount of the relevant pensionable earnings at that time includes what would be likely to be included in that amount if the individual were not so absent.

#### Textual Amendments

- F1607** Words in Sch. 36 para. 15(2) inserted (retrospectively) by [Finance Act 2007 \(c. 11\)](#), [Sch. 20 paras. 19\(2\), 24\(3\)](#)
- F1608** Words in Sch. 36 para. 15(3) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 40\(2\)](#)
- F1609** Words in Sch. 36 para. 15(4) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 40\(3\)](#)
- F1610** Words in Sch. 36 para. 15(5) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 40\(4\)](#)

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**F1611** Words in Sch. 36 para. 15(6) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 161\(2\), Sch. 23 para. 40\(5\)](#)

**Modifications etc. (not altering text)**

**C273** Sch. 36 para. 15 modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\), arts. 1\(1\), 36](#)

<sup>F1612</sup> 15A This paragraph applies where—

- (a) a person is paid a defined benefits lump sum death benefit or an uncrystallised funds lump sum death benefit in respect of the individual under the arrangement, and
  - (b) notice of intention to rely on this paragraph is given to an officer of Revenue and Customs by that person in accordance with regulations made by the Commissioners for Her Majesty's Revenue and Customs.
- (2) For the purposes of paragraph 13(b), if the amount yielded by sub-paragraph (3) is greater than what would otherwise be the appropriate limit in relation to a relevant event which consists of—
- (a) the payment of the lump sum death benefit, or
  - (b) the payment of any other lump sum death benefit in respect of the individual under the arrangement or another cash balance arrangement or defined benefits arrangement related to the arrangement,
- that greater amount is the appropriate limit in relation to such a relevant event.
- (3) The amount yielded by this sub-paragraph is the greater of—
- (a) the value of the individual's pre-commencement rights to death benefits, as increased by the relevant indexation percentage (see sub-paragraph (5) of paragraph 15), or
  - (b) what would be the value of the individual's pre-commencement rights to death benefits on the assumptions specified in sub-paragraph (6) of that paragraph (but subject to the modifications in sub-paragraph (7) of this paragraph).
- (4) The value of the individual's pre-commencement rights to death benefits is the aggregate of the maximum amounts that could have been paid in respect of the individual as uncrystallised rights lump sum death benefits under—
- (a) the arrangement, or
  - (b) any other cash balance arrangement or defined benefits arrangement related to the arrangement,
- if the individual had died on 5th April 2006.
- (5) Lump sum death benefits are “uncrystallised rights lump sum death benefits” if they are attributable to rights in respect of which the individual had not, on 5th April 2006, become entitled to the present payment of benefits.
- (6) Paragraphs 11C and 11D apply in arriving at the aggregate mentioned in sub-paragraph (4) as in arriving at that mentioned in paragraph 11B(2) but as if—
- (a) each of the references to paragraph 11B(2) were to sub-paragraph (4) of this paragraph, and
  - (b) in paragraph 11D(1), for “of a pension scheme” there were substituted “of any arrangement within paragraph 15A(4) under a pension scheme”.

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- (7) In their operation for the purposes of this paragraph sub-paragraphs (6) to (11) of paragraph 15 have effect as if—
- (a) for the references in sub-paragraphs (6)(a) and (7)(a) and (10) to the time of the first relevant event there were substituted a reference to the time immediately before the individual's death, and
  - (b) the words in parentheses in sub-paragraph (6)(a) were omitted.]

#### Textual Amendments

F1612Sch. 36 para. 15A inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 41](#)

- 16 (1) This paragraph specifies the post-commencement earnings limit if the individual was on 5th April 2006 a person in relation to [F1613whom—
- (a) section 590C of ICTA or paragraph 20 of Schedule 6 to FA 1989 (earnings cap) had effect, or
  - (b) provision similar to section 590C of ICTA had effect by virtue of conditions imposed under section 591 of that Act (discretionary approval),
- in] relation to any pension scheme under which the arrangement or any other arrangement related to the arrangement was made.
- (2) The post-commencement earnings limit is the lesser of amount A and amount B.
- (3) Amount A is 7.5% of the [F1614underpinned lifetime allowance when the first relevant event occurs; and “the underpinned lifetime allowance” is the greater of the current standard lifetime allowance and £1,800,000 (the standard lifetime allowance for the tax year 2011-12).]
- (4) Amount B is the amount of the individual’s employment income from the employment to which the arrangement relates for the best period of 12 months during the appropriate three year period.
- (5) The appropriate three year period is the period of three years ending with [F1615the earliest of—
- (a) the first relevant event,
  - (b) the individual leaving the employment to which the arrangement relates, and
  - (c) the individual's death].
- [F1616(5A) Where the appropriate three year period ends otherwise than with the first relevant event, Amount B is what it would be apart from this sub-paragraph increased by whichever is the greatest of—
- (a) the percentage by which an amount would be increased if it were increased for the period beginning with the date on which it ends and ending with the date on which the relevant event occurs at an annual rate of 5%,
  - (b) the percentage by which an amount would be increased if it were increased for that period at an annual percentage rate referred to in regulations made by the Board of Inland Revenue, or
  - (c) the percentage by which the retail prices index for the month in which the first relevant event occurs is higher than that for the month in which the appropriate period ends.]

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- (6) A period of 12 months during the appropriate three year period is the best period of 12 months during the appropriate three year period if the amount of the individual's employment income from the employment to which the arrangement relates is greater for that period of 12 months than for any other period of 12 months during the appropriate three year period.
- (7) For the purposes of this paragraph and paragraph 17 the amount of the individual's employment income includes, in relation to any time when the individual is absent from work in connection with pregnancy, maternity, paternity or adoption, what would be likely to be included in that amount if the individual were not so absent.

#### Textual Amendments

- F1613** Words in Sch. 36 para. 16(1) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 53\(12\), 64\(1\)](#)
- F1614** Words in [Sch. 36 para. 16\(3\)](#) substituted (with effect in accordance with Sch. 18 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 18 para. 9](#)
- F1615** Words in Sch. 36 para. 16(5) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 53\(13\), 64\(1\)](#)
- F1616** Sch. 36 para. 16(5A) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 53\(14\), 64\(1\)](#)

- 17 (1) This paragraph specifies the post-commencement earnings limit in any other case.
- (2) The post-commencement earnings limit is—
- if amount B is not greater than amount A, amount B, and
  - otherwise, amount C.
- (3) Amount A and amount B have the same meanings as in paragraph 16.
- (4) Amount C is the greater of—
- amount A, and
  - amount D.
- (5) Amount D is—

$$\frac{\text{ETY}}{3}$$

where ETY is the amount of the individual's employment income from the employment to which the arrangement relates for the appropriate three year period (within the meaning of paragraph 16).

- [<sup>F1617</sup>(6) Where the appropriate three year period ends otherwise than with the first relevant event, Amount D is what it would be apart from this sub-paragraph increased by whichever is the greatest of—
- the percentage by which an amount would be increased if it were increased for the period beginning with the date on which it ends and ending with the date on which the relevant event occurs at an annual rate of 5%,
  - the percentage by which an amount would be increased if it were increased for that period at an annual percentage rate referred to in regulations made by the Board of Inland Revenue, or

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- (c) the percentage by which the retail prices index for the month in which the first relevant event occurs is higher than that for the month in which the appropriate period ends.]

#### Textual Amendments

**F1617**Sch. 36 para. 17(6) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 53\(15\)](#), [64\(1\)](#)

<sup>F1618</sup>~~1~~<sup>(A)</sup> There is an impermissible transfer into a relevant existing arrangement relating to an individual under a pension scheme in a case where the relevant existing arrangement is a money purchase arrangement that is not a cash balance arrangement if—

- (a) sums or assets held for the purposes of, or representing rights under, an arrangement relating otherwise than to the individual are transferred so as to become held for the purposes of the relevant existing arrangement, otherwise than pursuant to a pension sharing order or provision, <sup>F1619</sup>or]
- (b) sums or assets which are neither held for the purposes of, nor represent rights under, a pension scheme are so transferred, <sup>F1620</sup>...

<sup>F1620</sup>(c) .....

(2) Sub-paragraph (1) applies where the relevant existing arrangement has been a hybrid arrangement as if the references to sums or assets being transferred <sup>F1621</sup>... were to transfer or payment at any time after 5th April 2006.

(3) There is an impermissible transfer into a relevant existing arrangement relating to an individual under a pension scheme in a case where the relevant existing arrangement is a cash balance arrangement or a defined benefits arrangement if it becomes a money purchase arrangement that is not a cash balance arrangement.]

#### Textual Amendments

**F1618**Sch. 36 para. 17A inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 53\(16\)](#), [64\(1\)](#)

**F1619**Word in Sch. 36 para. 17A(1) inserted (19.7.2007) (with effect in accordance with Sch. 19 para. 29(3) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), [Sch. 19 para. 10\(a\)](#)

**F1620**Sch. 36 para. 17A(1)(c) and preceding word repealed (19.7.2007) (with effect in accordance with Sch. 19 para. 29(3) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), [Sch. 19 para. 10\(a\)](#), [Sch. 27 Pt. 3\(1\)](#)

**F1621**Words in Sch. 36 para. 17A(2) repealed (19.7.2007) (with effect in accordance with Sch. 19 para. 29(3) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), [Sch. 19 para. 10\(b\)](#), [Sch. 27 Pt. 3\(1\)](#)

#### Modifications etc. (not altering text)

**C274** [Sch. 36 para. 17A](#) applied (with modifications) (19.7.2011) by [Finance Act 2011 \(c. 11\)](#), [Sch. 18 para. 14\(8\)](#)

**C275** [Sch. 36 para. 17A](#) applied (with modifications) (with application in accordance with Sch. 22 para. 1 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 22 para. 1\(7\)](#)

**C276** [Sch. 36 para. 17A](#) applied (with modifications) (15.9.2016) by [Finance Act 2016 \(c. 24\)](#), [Sch. 4 para. 5](#)

#### *Pre-commencement pension credits*

- 18 (1) This paragraph makes provision for the operation of a lifetime allowance enhancement factor in relation to all benefit crystallisation events occurring in relation to an individual where before 6th April 2006 the individual has acquired

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rights under a pension scheme within paragraph 1 (1) by virtue of having become entitled to a pension credit.

- (2) The lifetime allowance enhancement factor is the pre-commencement pension credit factor.
- (3) The pre-commencement pension credit factor is—

$$\frac{\text{IAPC}}{\text{SLA}}$$

where—

IAPC is the amount which is the appropriate amount for the purposes of section 29 (1) of WRPA 1999 or Article 26 (1) of WRP(NI)O 1999 in relation to the pension credit, as increased by the percentage specified in sub-paragraph (4), and

SLA is £1,500,000 (the standard lifetime allowance for the tax year 2006-07).

- (4) The percentage is the percentage by which the retail prices index for April 2006 is greater than that for the month in which the rights were acquired.
- (5) This paragraph does not apply in the case of an individual if paragraph 7 (primary protection) applies in relation to the individual.
- (6) This paragraph only applies if notice of intention to rely on this paragraph is given to the Inland Revenue in accordance with regulations made by the Board of Inland Revenue.

*Individuals permitted to take pension before normal minimum pension age*

- 19 (1) This paragraph applies where a benefit crystallisation event occurs in relation to an individual who is a member of a registered pension scheme—
- (a) in protected circumstances, and
  - (b) before the individual reaches normal minimum pension age.
- (2) What would otherwise be the individual's lifetime allowance is to be reduced by the relevant percentage.
- (3) A benefit crystallisation event occurs in protected circumstances if—
- (a) paragraph 22 or 23 (right to take pension before normal minimum pension age) applies to the individual and the pension scheme,
  - (b) the individual's protected pension age (see paragraph 22(8) or 23(8)) is less than 50, and
  - (c) the pension scheme is not prescribed by regulations made by the Board of Inland Revenue.
- (4) The relevant percentage is—

$$Y \times 2.5$$



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where Y is the number of complete years falling between the date on which the benefit crystallisation event occurs and the date on which the individual will reach normal minimum pension age.

- (5) Sub-paragraph (6) applies where, after the occurrence in relation to the individual of a benefit crystallisation event in relation to which this paragraph has had effect, another benefit crystallisation event occurs in relation to the individual <sup>F1622</sup>....
- (6) If the amount crystallised on the previous benefit crystallisation event exceeded the available amount of the individual's lifetime allowance at the time of that benefit crystallisation event, section 219 (availability of individual's lifetime allowance) applies as if the amount crystallised were the available amount of the individual's lifetime allowance at that time.

#### Textual Amendments

**F1622** Words in Sch. 36 para. 19(5) repealed (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 54\(2\), 64\(1\)](#)

#### *Pre-commencement pensions*

- 20 (1) This paragraph makes provision about an individual who, on 5th April 2006, has an actual (rather than a prospective) right to the payment of one or more relevant existing pensions.
- (2) Section 219 (availability of individual's lifetime allowance) applies as if, immediately before the first benefit crystallisation event occurring in relation to the individual—
  - (a) a benefit crystallisation event had occurred in relation to the individual, and
  - (b) the amount crystallised was the value of the individual's pre-commencement pension rights immediately before the benefit crystallisation event.
- (3) The value of the individual's pre-commencement pension rights at any time is—

## 25 × ARP

where (subject to sub-paragraph (4)) ARP is an amount equal to—

- (a) the annual rate at which the relevant existing pension is payable to the individual at that time, or
- (b) if more than one relevant existing pension is payable to the individual at that time, the aggregate of the annual rates at which each of the relevant existing pensions is so payable.

<sup>F1623</sup>(4) In the case of drawdown pension, ARP is—

- (a) [<sup>F1624</sup>80% of] the maximum amount that may be paid in the drawdown pension year in which the time falls in accordance with pension rule 5 (see section 165), or
- (b) in the case of an arrangement to which subsection (3A) of section 165 [<sup>F1625</sup>applied at any time before 6 April 2015], [<sup>F1626</sup>80% of] the maximum amount that could have been paid in accordance with that rule in the

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drawdown pension year in which that subsection first applied to the arrangement if it had not so applied.]

[<sup>F1627</sup>(c) in the case of an arrangement to which section 165(3A) never applied but only if the time falls after the member's drawdown pension fund in respect of the arrangement is converted into the member's flexi-access drawdown fund in respect of the arrangement by the operation of any of paragraphs 8B to 8D of Schedule 28, 80% of the maximum amount that could have been paid in accordance with pension rule 5 in the drawdown pension year in which the conversion occurs had no conversion happened in that year by the operation of any of paragraphs 8B to 8D of Schedule 28.

, or]

(5) In this paragraph “relevant existing pension” has the same meaning as in paragraph 10(2); and paragraph 10(4) and (5) operates for the purposes of this paragraph for determining the annual rate at which a relevant existing pension is payable at any time (treating the references there to 5th April 2006 as to that time).

#### Textual Amendments

**F1623** Sch. 36 para. 20(4) substituted (with effect in accordance with Sch. 16 paras. 85, 104(1) of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 82(2)**

**F1624** Words in Sch. 36 para. 20(4)(a) inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 77(2) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 77(1)**

**F1625** Words in Sch. 36 para. 20(4)(b) substituted (6.4.2015) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 28(1)(a), (2)**

**F1626** Words in Sch. 36 para. 20(4)(b) inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 77(3) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 77(1)**

**F1627** Sch. 36 para. 20(4)(c) and word inserted (6.4.2015) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 28(1)(b), (2)**

#### Modifications etc. (not altering text)

**C277** Sch. 36 para. 20(2)(b) modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), **20**

**C278** Sch. 36 para. 20(4) applied (with modifications) (17.7.2014) by [Finance Act 2014 \(c. 26\)](#), **Sch. 6 para. 2(3)(4)(7)(8)**

**C279** Sch. 36 para. 20(4) applied (with modifications) (15.9.2016) by [Finance Act 2016 \(c. 24\)](#), **Sch. 4 para. 10(3)**

**C280** Sch. 36 para. 20(4) applied (with modifications) (15.9.2016) by [Finance Act 2016 \(c. 24\)](#), **Sch. 4 para. 10(7)**

## PART 3

### PRE-COMMENCEMENT BENEFIT RIGHTS

#### Modifications etc. (not altering text)

**C281** Sch. 36 Pt. 3 modified (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, **31(1)**

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*Rights to take [F1628]benefit] before normal minimum pension age*

**Textual Amendments**

**F1628**Word in Sch. 36 para. 21 heading substituted (6.4.2006) by [Finance Act 2005 \(c. 7\), Sch. 10 paras. 54\(3\), 64\(1\)](#)

- 21 (1) If paragraph 22 or 23 applies in relation to a registered pension scheme and a member of the pension scheme, this Part of this Act (except for section 218(6) and paragraph 19) has effect in relation to the member and the pension scheme as if references to normal minimum pension age were to the member's protected pension age.
- (2) Paragraphs 22(8) and 23(8) define the member's protected pension age.
- 22 (1) This paragraph applies in relation to a registered pension scheme and a member of the pension scheme if—
- (a) the pension scheme is a protected pension scheme, and
  - (b) the retirement condition is met in relation to the member and the pension scheme.
- (2) A pension scheme is a protected pension scheme if condition A or condition B is met.
- (3) Condition A is met if—
- (a) the pension scheme was within any of paragraphs (a) to (e) of paragraph 1(1), and
  - (b) the entitlement condition is met in relation to the member and the pension scheme.
- (4) The entitlement condition is met in relation to the member and the pension scheme if—
- (a) on 5th April 2006 the member had an actual or prospective right under the pension scheme to [F1629]any benefit] from an age of less than 55,
  - (b) the rules of the pension scheme on 10th December 2003 included provision conferring such a right on some or all of the persons who were then members of the pension scheme, and
  - (c) such a right either was then conferred on the member or would have been had the member been a member of the scheme on that date.
- (5) Condition B is met if the member is a member of the pension scheme [F1630("a transferee pension scheme")] as a result of—
- (a) a block transfer from the pension scheme ("the original pension scheme") in relation to which condition A is met to the transferee pension scheme, or
  - (b) a block transfer to the transferee pension scheme from a pension scheme that was a transferee pension scheme in relation to the original pension scheme by virtue of the previous application of paragraph (a) or the previous application (on one or more occasions) of this paragraph.]
- (6) A transfer is a block transfer if—
- (a) it involves the transfer in a single transaction of all the sums and assets held for the purposes of, or representing accrued rights under, the arrangements under the pension scheme from which the transfer is made which relate to the member and at least one other member of that pension scheme, and

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- [<sup>F1631</sup>(b) either the member was not a member of the pension scheme to which the transfer is made before the transfer or he has been a member of that pension scheme for no longer than such period as is prescribed by regulations made by the Board of Inland Revenue.]
- [<sup>F1632</sup>(6A) A transfer is also a block transfer if—
- (a) it involves the transfer in a single transaction of all the sums and assets held for the purposes of, or representing accrued rights under, the arrangements under the pension scheme from which the transfer is made which relate to the member,
  - (b) the transfer takes place—
    - (i) on or after 19 March 2014, and
    - (ii) before 6 April 2015, and
  - (c) the date mentioned in sub-paragraph (7)(a) is before 6 October 2015.]
- (7) The retirement condition is met in relation to the member and the pension scheme if—
- (a) the member becomes entitled to all the [<sup>F1633</sup>benefits] payable to the member under arrangements under the pension scheme (to which the member did not have an actual entitlement on or before 5th April 2006) on the same date, and
  - [<sup>F1634</sup>(b) in a case where on 5th April 2006 the member had an actual or prospective right under the pension scheme to any benefit from an age of less than 50, Condition 1 is met or, in any other case, Condition 2 or 3 is met.]
- [<sup>F1635</sup>(7A) Condition 1 is met if—
- (a) the member is not, after becoming entitled to the benefits mentioned in sub-paragraph (7)(a), employed by a person who is a sponsoring employer in relation to the pension scheme and with whom the member is connected, and
  - (b) the member's becoming entitled to those benefits is not part of an arrangement the main purpose (or one of the main purposes) of which is the avoidance of tax or national insurance contributions.
- (7B) Condition 2 is met if—
- (a) the member is not, after becoming entitled to the benefits mentioned in sub-paragraph (7)(a), employed by a person specified in sub-paragraph (7C), and
  - (b) the member's becoming entitled to those benefits is not part of an arrangement the main purpose (or one of the main purposes) of which is the avoidance of tax or national insurance contributions.
- (7C) The persons referred to in sub-paragraph (7B)(a) are—
- (a) any person who was a sponsoring employer in relation to the pension scheme at any time during the period of six months ending with the day on which the member became entitled to the benefits mentioned in sub-paragraph (7)(a) and by whom the member was employed at any time during that period,
  - (b) any person who is connected with any such person, or
  - (c) any person who is a sponsoring employer in relation to the pension scheme and with whom the member is connected.
- (7D) If the member has become entitled to the benefits payable under arrangements under the pension scheme by reason of service in the armed forces of the Crown, any employment on compulsory recall is to be disregarded for the purposes of sub-paragraph (7B)(a).

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- (7E) Condition 3 is met if —
- (a) paragraph (a) of sub-paragraph (7B) is not satisfied but one of the re-employment conditions is met, and
  - (b) paragraph (b) of that sub-paragraph is satisfied.
- (7F) The re-employment conditions are—
- (a) that the member is not employed as mentioned in sub-paragraph (7B)(a) during the period of six months beginning with the day on which the member becomes entitled to the benefits mentioned in sub-paragraph (7)(a), and
  - (b) that the member is not employed as mentioned in sub-paragraph (7B)(a) during the period of one month beginning with that day, but is so employed during the period of five months beginning at the end of that period, and either the pension abatement condition or the materially different employment condition is met <sup>[<sup>F1636</sup>]</sup>, and
  - (c) that the member is or was employed as mentioned in sub-paragraph (7B)(a) where—
    - (i) the employment began at any time during the coronavirus period, and
    - (ii) the only or main reason that the member was taken into employment was to help the employer to respond to the public health, social, economic or other effects of coronavirus.]
- (7G) The pension abatement condition is met if—
- (a) the pension scheme is a public service pension scheme, and
  - (b) the member's benefits under the scheme consist of or include a scheme pension which is liable to reduction by abatement while the member is employed as mentioned in sub-paragraph (7B)(a) and is under the age of 55.
- (7H) The materially different employment condition is met—
- (a) in a case where the member is employed as mentioned in sub-paragraph (7B)(a) in more than one employment during the period of five months mentioned in sub-paragraph (7F)(b), if each of those employments, and
  - (b) otherwise, if the employment in which the member is so employed during that period,
- is materially different in nature from the employment in which the member was employed immediately before becoming entitled to the benefits mentioned in sub-paragraph (7)(a).
- (7I) For the purposes of sub-paragraph (7D) “employment on compulsory recall” means permanent service—
- (a) under Part 4 of the Reserve Forces Act 1996,
  - (b) under Part 5 of that Act,
  - (c) under a call-out or recall order made under that Act,
  - (d) having been called out or recalled under the Reserve Forces Act 1980, or
  - (e) because of any other call-out or recall obligation of an officer.
- (7J) <sup>[<sup>F1637</sup>]</sup>Section 1122 of the Corporation Tax Act 2010] (connected persons) applies for the purposes of this paragraph.]

<sup>[<sup>F1638</sup>]</sup>(7K) In sub-paragraph (7F)(c)—

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“coronavirus” has the same meaning as in the Coronavirus Act 2020 (see section 1(1) of that Act);

“the coronavirus period” means the period beginning with 1 March 2020 and ending with 1 November 2020.

(7L) The Treasury may by regulations amend the definition of “the coronavirus period” in sub-paragraph (7K) so as to replace the later of the dates specified in it with another date falling before 6 April 2021.

(7M) The power in sub-paragraph (7L) may be exercised on more than one occasion.]

(8) The member’s protected pension age is the age from which the member had an actual or prospective right to [<sup>F1639</sup>any benefit] under the protected pension scheme on 5th April 2006 (or, where condition B is met, under the original pension scheme on that date).

(9) But this paragraph does not have effect so as to give the member a protected pension age of more than 50 at any time before 6th April 2010.

#### Textual Amendments

**F1629** Words in Sch. 36 para. 22(4)(a) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 54\(5\), 64\(1\)](#)

**F1630** Words in Sch. 36 para. 22(5) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 55\(3\), 64\(1\)](#)

**F1631** Sch. 36 para. 22(6)(b) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 55\(4\), 64\(1\)](#)

**F1632** Sch. 36 para. 22(6A) inserted (19.3.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 5 paras. 7\(1\), 15](#)

**F1633** Word in Sch. 36 para. 22(7)(a) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 54\(6\)\(a\), 64\(1\)](#)

**F1634** Sch. 36 para. 22(7)(b) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 43\(2\)](#)

**F1635** Sch. 36 para. 22(7A)-(7J) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 43\(3\)](#)

**F1636** Sch. 36 para. 22(7F)(c) and word inserted (retrospective to 1.3.2020) by [Finance Act 2020 \(c. 14\)](#), s. 108(2)(4)

**F1637** Words in Sch. 36 para. 22(7J) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), [Sch. 1 para. 432\(3\)](#) (with Sch. 2)

**F1638** Sch. 36 para. 22(7K)-(7M) inserted (retrospective to 1.3.2020) by [Finance Act 2020 \(c. 14\)](#), s. 108(3)(4)

**F1639** Words in Sch. 36 para. 22(8) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 54\(7\), 64\(1\)](#)

#### Modifications etc. (not altering text)

**C282** Sch. 36 para. 22(7)(a) modified by S.I. 2006/572, art. 43(3) (as inserted (with effect in accordance with art. 1(3) of the amending S.I.) by [The Taxation of Pension Schemes \(Transitional Provisions\) \(Amendment\) Order 2011 \(S.I. 2011/732\)](#), arts. 1(1), 4)

**C283** Sch. 36 para. 22(7)(a) modified by S.I. 2006/572, art. 42(3) (as inserted (with effect in accordance with art. 1(3) of the amending S.I.) by [The Taxation of Pension Schemes \(Transitional Provisions\) \(Amendment\) Order 2011 \(S.I. 2011/732\)](#), arts. 1(1), 4)

- 23 (1) This paragraph applies in relation to a registered pension scheme and a member of the pension scheme if—
- (a) the pension scheme is a protected pension scheme, and

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- (b) the retirement condition is met in relation to the member and the pension scheme.
- (2) A pension scheme is a protected pension scheme if condition A or condition B is met.
- (3) Condition A is met if—
- (a) the pension scheme was within paragraph (f) or (g) of paragraph 1(1), and
  - (b) the entitlement condition is met in relation to the member and the pension scheme.
- (4) The entitlement condition is met in relation to the member and the pension scheme if—
- (a) on 5th April 2006 the member had an actual or prospective right under the pension scheme to a pension from an age of less than 50, and
  - (b) the member’s occupation was on that date (or had been) one prescribed by regulations made by the Board of Inland Revenue.
- (5) Condition B is met if the member is a member of the pension scheme [F1640(“a transferee pension scheme”) as a result of—
- (a) a block transfer from the pension scheme (“the original pension scheme”) in relation to which condition A is met to the transferee pension scheme, or
  - (b) a block transfer to the transferee pension scheme from a pension scheme that was a transferee pension scheme in relation to the original pension scheme by virtue of the previous application of paragraph (a) or the previous application (on one or more occasions) of this paragraph.]
- (6) “Block transfer” has the same meaning as in paragraph 22(6) [F1641 and (6A), but for this purpose paragraph 22(6A)(c) is to be read as if its reference to paragraph 22(7) (a) were a reference to sub-paragraph (7) of this paragraph].
- (7) The retirement condition is met in relation to the member and the pension scheme if the member becomes entitled to all the pensions payable to the member under arrangements under the pension scheme (to which the member did not have an actual entitlement on or before 5th April 2006) on the same date.
- (8) The member’s protected pension age is the age from which the member had an actual or prospective right to a pension under the protected pension scheme on 5th April 2006 (or, where condition B is met, under the original pension scheme on that date).

#### Textual Amendments

**F1640** Words in Sch. 36 para. 23(5) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\), Sch. 10 paras. 55\(5\), 64\(1\)](#)

**F1641** Words in Sch. 36 para. 23(6) inserted (19.3.2014) by [Finance Act 2014 \(c. 26\), Sch. 5 paras. 7\(2\), 15](#)

#### Modifications etc. (not altering text)

**C284** Sch. 36 para. 23(7) modified by S.I. 2006/572, art. 42(3) (as inserted (with effect in accordance with art. 1(3) of the amending S.I.) by [The Taxation of Pension Schemes \(Transitional Provisions\) \(Amendment\) Order 2011 \(S.I. 2011/732\), arts. 1\(1\), 4](#))

**C285** Sch. 36 para. 23(7) modified by S.I. 2006/572, art. 43(4) (as inserted (with effect in accordance with art. 1(3) of the amending S.I.) by [The Taxation of Pension Schemes \(Transitional Provisions\) \(Amendment\) Order 2011 \(S.I. 2011/732\), arts. 1\(1\), 4](#))

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[<sup>F1642</sup>23(2)A] Sub-paragraph (2) applies if—

- (a) there is a recognised transfer from one registered pension scheme (“the old scheme”) to another registered pension scheme (“the new scheme”), and
- (b) as a result of paragraph 21 or the previous operation of sub-paragraph (2), immediately before the transfer this Part (except for section 218(6) and paragraph 19) applied in relation to all of the transferred sums or assets as if references to normal minimum pension age were to the member's protected pension age as defined by paragraph 22(8) or, as the case may be, paragraph 23(8).

(2) This Part (except for section 218(6) and paragraph 19) applies in relation to—

- (a) the transferred sums or assets while held for the purposes of an arrangement under the new scheme, and
- (b) any sums or assets held for the purposes of such an arrangement that arise, or (directly or indirectly) derive, from—
  - (i) any of the transferred sums or assets, or
  - (ii) sums or assets which so arise or derive,

as if references to normal minimum pension age were to the member's protected pension age as defined by paragraph 22(8) or, as the case may be, paragraph 23(8).

(3) Paragraphs 22(7)(a) and 23(7) have effect as if the benefits or pensions to which they refer do not include any that are in respect of sums or assets within sub-paragraph (2) (a) or (b) of this paragraph.]

#### Textual Amendments

**F1642**Sch. 36 para. 23ZA inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 78(2) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 78\(1\)](#)

[<sup>F1643</sup>23(A)] Where—

- (a) paragraph 19 applies to a benefit crystallisation event occurring in relation to an individual, and
- (b) the benefit crystallisation event consists in the individual becoming entitled to a pension or a pension commencement lump sum,

paragraph 2(6) of Schedule 29 has effect as if CSLA were the current standard lifetime allowance reduced by the relevant percentage (within the meaning of paragraph 19).

(2) Sub-paragraph (3) applies where, after the occurrence in relation to an individual of a benefit crystallisation event in relation to which paragraph 19 has had effect, another benefit crystallisation event occurs in relation to the individual.

(3) If the amount crystallised on the previous benefit crystallisation event exceeded the available amount of the individual's lifetime allowance at the time of that benefit crystallisation event, paragraph 2(6) of Schedule 29 has effect as if, for the purposes of AAC, the amount crystallised were the available amount of the individual's lifetime allowance at that time.]

#### Textual Amendments

**F1643**Sch. 36 para. 23A inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 56, 64\(1\)](#)



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*Lump sum rights exceeding £375,000: primary and enhanced protection*

- 24 (1) If the lump sum condition and the registration condition are met in relation to an individual—
- (a) paragraphs 27 to 29 (which modify Schedule 29 in relation to pension commencement lump sums), and
  - (b) paragraph 30 (which makes provision about scheme chargeable payments), apply in relation to the individual.
- (2) The lump sum condition is met if on 5th April 2006 the amount of an individual's total lump sum rights exceeds £375,000 (25% of the standard lifetime allowance for the tax year 2006-07).
- (3) Paragraph 25 defines the amount of an individual's total lump sum rights on that date.
- (4) The registration condition is met if either or both of the notice requirements is met.
- (5) The first notice requirement is met if notice of intention to rely on paragraph 7 (primary protection) is given to the Inland Revenue in accordance with regulations under that paragraph in relation to the individual.
- (6) The second notice requirement is met if notice of intention to rely on paragraph 12 (enhanced protection) is given to the Inland Revenue in accordance with regulations under that paragraph in relation to the individual.
- 25 (1) The amount of an individual's total lump sum rights on 5th April 2006 is—

$$\frac{\text{VCPR}}{4} + \text{VULSR}$$

where—

VCPR is the value of the individual's relevant crystallised pension rights on 5th April 2006, calculated in accordance with paragraph 10, and

VULSR is the value of the individual's relevant uncrystallised lump sum rights on that date.

- (2) The value of the individual's relevant uncrystallised lump sum rights on 5th April 2006 is the aggregate value of the individual's uncrystallised lump sum rights on that date under each relevant pension arrangement relating to the individual.
- (3) An uncrystallised lump sum right is a right to a lump sum which on 5th April 2006 is prospective (rather than actual).
- (4) An arrangement is a "relevant pension arrangement" if it is an arrangement under a pension scheme within paragraph 1(1).
- (5) The value of the individual's uncrystallised lump sum rights under an arrangement on 5th April 2006—
- (a) in the case of an arrangement under a pension scheme falling within paragraph 1(1)(f), is 25% of the value of the funds held for the purposes of the arrangement on that date, and
  - (b) in the case of any other arrangement, is an amount calculated in accordance with sub-paragraph (6).

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- (6) The amount is the amount of any lump sum to which the individual would have been entitled under the arrangement on 5th April 2006 on the assumption that the individual became entitled to the present payment of a lump sum under the arrangement on that date.
- (7) In calculating an amount in accordance with sub-paragraph (6) the valuation assumptions apply but as if the reference to such age (if any) as must have been reached to avoid any reduction in benefits on account of age in paragraph (a) of section 277 were to the relevant age; and for this purpose “the relevant age” is—
- (a) if on 10th December 2003 the terms of the arrangement made provision for a reduction in the amount of benefits payable in respect of rights under the arrangement on account of the holder of the rights being below a particular age, that age, and
  - (b) otherwise, 60.
- 26 (1) This paragraph applies if any of the individual’s uncrystallised lump sum rights on 5th April 2006 are rights under one or more arrangements under a pension scheme or schemes within paragraph 1(1)(a) to (d).
- (2) The value of the individual’s uncrystallised lump sum rights on 5th April 2006 under the arrangement, or the aggregate of the values of the individual’s uncrystallised lump sum rights on 5th April 2006 under such of the arrangements as relate to a particular employment, is <sup>F1644</sup>...—
- (a) the value, or the aggregate of the values, calculated under paragraph 25, <sup>F1645</sup>or (if lower)]
  - (b) the maximum permitted lump sum.
- (3) “The maximum permitted lump sum” means
- <sup>F1646</sup>(a) in the case of an arrangement under a pension scheme which immediately before 6th April 2006 was within section <sup>F1647</sup>611A(1)(a)] of ICTA, the maximum lump sum that could be paid to the individual under the pension scheme on 5th April 2006, and
  - (b) in any other case,]
 

the maximum lump sum that could be paid to the individual on 5th April 2006 under the arrangement or arrangements if it or they were made under a pension scheme within paragraph 1(1)(a) without giving the Board of Inland Revenue grounds for withdrawing approval of the pension scheme under section 591B of ICTA.
- (4) For the purposes of sub-paragraph (3) it is to be assumed—
- (a) <sup>F1648</sup>in the case of any arrangement, that] if the individual was in the employment to which the arrangement or arrangements relates or relate on 5th April <sup>F1649</sup>2006] the individual left the employment on that date, and
  - <sup>F1650</sup>(aa) in the case of an arrangement within sub-paragraph (3)(a), that the valuation assumptions apply (see section 277),]
  - (b) <sup>F1651</sup>in the case of any other arrangement, that] if the individual had not reached the lowest age at which a lump sum may be paid under a pension scheme within paragraph 1(1)(a) to a person in good health without giving the Board of Inland Revenue grounds for withdrawing the approval of the pension <sup>F1652</sup>scheme] that fact would not give the Board such grounds.
- (5) Whether an arrangement relating to an individual relates to an employment is to be determined in accordance with paragraph 9(6).

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### Textual Amendments

- F1644** Words in Sch. 36 para. 26(2) repealed (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 52\(7\)\(a\), 64\(1\)](#), [Sch. 11 Pt. 4](#)
- F1645** Words in Sch. 36 para. 26(2)(a) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 52\(7\)\(b\), 64\(1\)](#)
- F1646** Words in Sch. 36 para. 26(3) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 52\(8\), 64\(1\)](#)
- F1647** Word in Sch. 36 para. 26(3)(a) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 45](#)
- F1648** Words in Sch. 36 para. 26(4)(a) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 52\(9\)\(a\), 64\(1\)](#)
- F1649** Word in Sch. 36 para. 26(4)(a) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 52\(9\)\(a\), 64\(1\)](#)
- F1650** Sch. 36 para. 26(4)(aa) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 52\(9\)\(b\), 64\(1\)](#)
- F1651** Words in Sch. 36 para. 26(4)(b) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 52\(9\)\(c\), 64\(1\)](#)
- F1652** Word in Sch. 36 para. 26(4)(b) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 52\(9\)\(c\), 64\(1\)](#)

- 27 (1) If (and for so long as) paragraph 12 (enhanced protection) applies in relation to the individual, paragraph 2 of Schedule 29 applies in relation to the individual with the following modifications.
- (2) If the value of the individual's relevant uncrystallised lump sum rights on 5th April 2006 (calculated in accordance with paragraphs 25 and 26) was nil, the permitted maximum under paragraph 2 is nil.
- (3) Otherwise, paragraph 2 applies as if for sub-paragraphs (5) to (8) there were substituted—
- “(5) If sub-paragraph (2) does not apply, the permitted maximum is the applicable amount, calculated in accordance with paragraph 3.”
- 28 (1) If paragraph 12 (enhanced protection) does not apply in relation to the individual, paragraph 2 of Schedule 29 applies in relation to the individual with the following modifications.
- (2) If the value of the individual's relevant uncrystallised lump sum rights on 5th April 2006 (calculated in accordance with paragraphs 25 and 26) was nil, the permitted maximum under paragraph 2 is nil.
- (3) Otherwise, paragraph 2 applies as if for [<sup>F1653</sup>sub-paragraphs (5) to (7A)] there were substituted—
- “(5) If sub-paragraph (2) does not apply, the permitted maximum is the available portion of the member's lump sum allowance.
- (6) The available portion of the member's lump sum allowance is—

## VULSR – APCLS

where—

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VULSR is the value of the individual's relevant uncrystallised lump sum rights on 5th April 2006 (calculated in accordance with paragraphs 25 and 26 of Schedule 36), as adjusted under sub-paragraph (6A), and

APCLS is the aggregate of the amounts of each pension commencement lump sum to which the individual has previously become entitled, as adjusted under sub-paragraph (7) (or, if the individual has not previously become entitled to a pension commencement lump sum, is nil).

<sup>F1654</sup>(6A) The adjustment referred to in the definition of VULSR is the multiplication of the value of the individual's relevant uncrystallised lump sum rights on 5th April 2006 by—

ULAFSLA

where—

<sup>F1655</sup>ULA is the underpinned lifetime allowance, and]

FSLA is £1,500,000 (the standard lifetime allowance for the tax year 2006-07).]

<sup>F1654</sup>(7) The adjustment of the amount of a pension commencement lump sum to which the individual has previously become entitled referred to in the definition of APCLS is the multiplication of the amount by—

ULAPSLA

where—

<sup>F1655</sup>ULA is the underpinned lifetime allowance, and]

PSLA is the standard lifetime allowance at the time the individual became entitled to the lump sum][<sup>F1656</sup>if that occurred before 6 April 2012 but, if that occurred on or after 6 April 2012, PSLA is the greater of £1,800,000 and the standard lifetime allowance at the time the individual became entitled to the lump sum].

<sup>F1657</sup>(7A) The underpinned lifetime allowance” is the greater of the current standard lifetime allowance and £1,800,000 (the standard lifetime allowance for the tax year 2011-12).”]

#### Textual Amendments

**F1653** Words in Sch. 36 para. 28(3) substituted (with effect in accordance with Sch. 16 paras. 85, 102 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 82\(3\)](#)

**F1654** Word in Sch. 36 para. 28(3) formula substituted (with effect in accordance with Sch. 18 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 18 para. 10\(2\)\(a\)](#)

**F1655** Words in Sch. 36 para. 28(3) substituted (with effect in accordance with Sch. 18 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 18 para. 10\(2\)\(b\)](#)

**F1656** Words in Sch. 36 para. 28(3) inserted (with effect in accordance with Sch. 4 para. 28(4) of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [Sch. 4 para. 28\(2\)](#)

**F1657** Words in Sch. 36 para. 28(3) inserted (with effect in accordance with Sch. 18 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 18 para. 10\(3\)](#)

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29 (1) If (and for so long as) paragraph 12 (enhanced protection) applies in relation to the individual, paragraph 3 of Schedule 29 (applicable amount) applies with the following modifications.

(2) Paragraph 3 applies as if for sub-paragraphs (1) to (3) there were substituted—

“(1) Where the member becomes entitled to income withdrawal, the applicable amount is—

$$\frac{\text{VULSR}}{\text{VUR}} \times (\text{LS} + \text{AD})$$

where—

VULSR is the value of the individual’s relevant uncrystallised lump sum rights on 5th April 2006, calculated in accordance with paragraphs 25 and 26 of Schedule 36,

VUR is the value of the individual’s uncrystallised pension rights on 5th April 2006, calculated in accordance with paragraphs 8 and 9 of that Schedule,

LS is the lump sum paid, and

AD is the aggregate of the amount of the sums, and the market value of the assets, designated as available for the payment of [F1658drawdown pension] on that occasion.

(2) For the purposes of sub-paragraph (1) there is to be deducted from the aggregate of the lump sum and the amount of the sums and the market value of the assets designated as available for the payment of [F1658drawdown pension] so much (if any) of that amount as represents rights which are attributable to a disqualifying pension credit.

(3) Where the member becomes entitled to a lifetime annuity, the applicable amount is—

$$\frac{\text{VULSR}}{\text{VUR}} \times (\text{LS} + \text{APP})$$

where—

VULSR, VUR and LS have the same meaning as in sub-paragraph (1), and APP is the annuity purchase price.”

(3) Paragraph 3 applies as if for sub-paragraphs (5) to [F1659(7A)] there were substituted—

“(5) There is to be deducted from the aggregate of the amount of the lump sum and the annuity purchase price—

(a) if the annuity is purchased (in whole or in part) by the application of sums or assets representing the whole or part of the [F1660member’s

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drawdown pension fund][<sup>F1661</sup>or flexi-access drawdown fund], the aggregate of the amount of those sums and the market value of those assets, and

- (b) in any case, so much (if any) of the aggregate of the lump sum and the annuity purchase price as represents rights which are attributable to a disqualifying pension credit.

- (6) Where the member becomes entitled to a scheme pension [<sup>F1662</sup>under a defined benefits arrangement], the applicable amount is—

$$\frac{\text{VULSR}}{\text{VUR}} \times (\text{LS} + \text{AC})$$

but subject to sub-paragraph (8).

- (7) In sub-paragraph (6)—

VULSR, VUR and LS have the same meaning as in sub-paragraph (1), and

[<sup>F1663</sup>AC is—

- (a) in a case where the member becomes entitled to the pension before reaching the age of 75, the amount crystallised by reason of the member becoming entitled to the pension, and
- (b) in a case where the member becomes entitled to the pension after reaching that age, the amount that would have been so crystallised but for paragraph 2 of Schedule 32.]

- [<sup>F1664</sup>(7A) Where the member becomes entitled to a scheme pension under a money purchase arrangement, the applicable amount is (subject to sub-paragraph (8))—

$$\text{VULSR} \times \text{VUR} \times (\text{LS} + \text{SPPP})$$

where—

VULSR, VUR and LS have the same meaning as in sub-paragraph (1), and

SPPP is the scheme pension purchase price.”]

- [<sup>F1665</sup>(4) Paragraph 3 applies as if in sub-paragraph (8A)(a) for “is one third of” there were substituted “is—

$$\text{VULSR} \times \text{VUR} \times (\text{LS} + \text{CAPP})$$

where VULSR, VUR and LS have the same meaning as in sub-paragraph (1), and CAPP is”.

- (5) Paragraph 3 applies as if in sub-paragraph (8A)(b) for “is one third of the sums, plus one third of” there were substituted “is—

$$\text{VULSR} \times \text{VUR} \times (\text{LS} + \text{EP})$$

where VULSR, VUR and LS have the same meaning as in sub-paragraph (1), and EP is the total of the sums, and”.]

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### Textual Amendments

- F1658** Words in Sch. 36 para. 29(2) substituted (with effect in accordance with Sch. 16 paras. 85, 102 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 82\(4\)\(a\)](#)
- F1659** Word in Sch. 36 para. 29(3) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 24\(2\)](#)
- F1660** Words in Sch. 36 para. 29(3) substituted (with effect in accordance with Sch. 16 paras. 85, 102 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 82\(4\)\(b\)\(i\)](#)
- F1661** Words in Sch. 36 para. 29(3) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 29](#)
- F1662** Words in Sch. 36 para. 29(3) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 24\(3\)](#)
- F1663** Words in Sch. 36 para. 29(3) substituted (with effect in accordance with Sch. 16 paras. 85, 102 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 82\(4\)\(b\)\(ii\)](#)
- F1664** Words in Sch. 36 para. 29(3) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 24\(4\)](#)
- F1665** Sch. 36 para. 29(4)(5) inserted (19.3.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 5 paras. 8, 15](#)

- 30 (1) Any part of a lump sum falling within paragraph 1 (1) of Schedule 29 which—
- under paragraph 1(2) of that Schedule is not a pension commencement lump sum (because the lump sum exceeds the permitted maximum), and
  - is an unauthorised payment,
- is to be treated as exempt from being scheme chargeable (under section 241(2)) if the condition in sub-paragraph (2) is met.
- (2) The condition is that it would not have been an unauthorised payment if—
- paragraphs 27 and 29 (in the case of an individual in relation to whom paragraph 12 applies), or
  - paragraph 28 (in the case of an individual in relation to whom paragraph 12 does not apply),
- had not applied.

### *Entitlement to lump sums exceeding 25% of uncrystallised rights*

- 31 (1) If the pension condition is met in relation to an individual and a registered pension scheme which is a protected pension scheme, the provisions of Schedule 29 relating to pension commencement lump sums apply in relation to the individual and the pension scheme with the modifications specified in paragraph 34 (but subject to sub-paragraph (2)).
- (2) Those provisions do not apply with those modifications if the lump sum condition and registration condition in paragraph 24 are met.
- (3) The pension condition is that the individual becomes entitled to all the pensions payable to the individual under arrangements under the pension scheme (to which the individual did not have an actual entitlement on or before 5th April 2006) on the same date.
- (4) A registered pension scheme is a protected pension scheme if condition A or condition B is met.
- (5) Condition A is met if—

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- (a) the pension scheme was within any of paragraphs (a) to (e) of paragraph 1(1), and
  - (b) on 5th April 2006 the lump sum percentage of the individual's uncrystallised rights under the pension scheme exceeded 25%.
- (6) The lump sum percentage of an individual's uncrystallised pension rights under a pension scheme on 5th April 2006 is—

$$\frac{\text{VULSR}}{\text{VUR}} \times 100$$

where—

VULSR is the value of the individual's uncrystallised lump sum rights under the pension scheme on 5th April 2006, calculated in accordance with paragraph 32, and VUR is the value of the individual's uncrystallised rights under the pension scheme on 5th April 2006, calculated in accordance with paragraph 33.

- (7) Condition B is met if the individual is a member of the pension scheme [F1666("a transferee pension scheme") as a result of—
- (a) a block transfer from the pension scheme ("the original pension scheme") in relation to which condition A is met to the transferee pension scheme, or
  - (b) a block transfer to the transferee pension scheme from a pension scheme that was a transferee pension scheme in relation to the original pension scheme by virtue of the previous application of paragraph (a) or the previous application (on one or more occasions) of this paragraph.]
- (8) "Block transfer" has the same meaning as in paragraph 22(6) [F1667 and (6A)], but treating the references there to the member as references to the individual [F1668 and reading paragraph 22(6A)(c) as if its reference to paragraph 22(7)(a) were a reference to sub-paragraph (3) of this paragraph.]
- (9) Where a pension scheme is a protected pension scheme because condition B is met, Schedule 29 as modified by paragraph 34 applies as if the protected pension scheme were the same pension scheme as the original pension scheme.

#### Textual Amendments

**F1666** Words in Sch. 36 para. 31(7) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 55\(6\), 64\(1\)](#)

**F1667** Words in Sch. 36 para. 31(8) inserted (19.3.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 5 paras. 9\(a\)](#), 15

**F1668** Words in Sch. 36 para. 31(8) inserted (19.3.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 5 paras. 9\(b\)](#), 15

#### Modifications etc. (not altering text)

**C286** Sch. 36 para. 31 applied (6.4.2006) by [The Registered Pension Schemes \(Enhanced Lifetime Allowance\) Regulations 2006 \(S.I. 2006/131\)](#), regs. 1, [9\(8\)](#)

**C287** Sch. 36 para. 31 modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), [21](#), [22](#)

**C288** Sch. 36 para. 31(3) modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), [26](#)



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- C289** Sch. 36 para. 31(3) modified by S.I. 2006/572, art. 23ZE(3) (as inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Taxation of Pension Schemes \(Transitional Provisions\) \(Amendment\) Order 2011 \(S.I. 2011/732\)](#), arts. 1(1), 3)
- C290** Sch. 36 para. 31(3) modified by S.I. 2006/572, art. 23ZA(2) (as inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Taxation of Pension Schemes \(Transitional Provisions\) \(Amendment\) Order 2011 \(S.I. 2011/732\)](#), arts. 1(1), 3)
- C291** Sch. 36 para. 31(3) modified by S.I. 2006/572, art. 23ZD(2) (as inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Taxation of Pension Schemes \(Transitional Provisions\) \(Amendment\) Order 2011 \(S.I. 2011/732\)](#), arts. 1(1), 3)
- C292** Sch. 36 para. 31(3) modified by S.I. 2006/572, art. 23ZC(3) (as inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Taxation of Pension Schemes \(Transitional Provisions\) \(Amendment\) Order 2011 \(S.I. 2011/732\)](#), arts. 1(1), 3)

- 32 (1) Subject to sub-paragraph (2), the value of the individual's uncrystallised lump sum rights under the pension scheme on 5th April 2006 is the aggregate of the value of the individual's uncrystallised lump sum rights under each arrangement in respect of the individual under the pension scheme, calculated in accordance with paragraph 25(5), on that date.
- (2) If the pension scheme is a relevant pension scheme, the value of the individual's uncrystallised lump sum rights on 5th April 2006 under an arrangement—
- which relates to a particular employment, and
  - in relation to which the excess lump sum condition is met (see sub-paragraph (5) or (6)),
- is the amount arrived at in accordance with sub-paragraph (7) or (8).
- (3) A pension scheme is a relevant pension scheme if it falls within paragraph 1(1)(a) to (d).
- (4) Whether an arrangement relating to the individual relates to a particular employment is to be determined in accordance with paragraph 9(6).
- (5) If no other arrangement relating to the individual under a relevant pension scheme relates to the employment to which the arrangement relates, the excess lump sum condition is met in relation to the arrangement if—
- the value of the individual's uncrystallised lump sum rights under the arrangement calculated in accordance with paragraph 25(5), exceeds
  - the amount arrived at in relation to the arrangement in accordance with paragraph 26.
- (6) If one or more other arrangements relating to the individual under a relevant pension scheme or relevant pension schemes relates or relate to the employment to which the arrangement relates, the excess lump sum condition is met in relation to the arrangement if—
- the aggregate of the values of the individual's uncrystallised lump sum rights under the arrangement and the other arrangement or arrangements, calculated in accordance with paragraph 25(5), exceeds
  - the amount arrived at in relation to those arrangements in accordance with paragraph 26;
- and the amount by which the aggregate of those values exceeds that amount is the "lump sum excess".

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- (7) Where the excess lump sum condition is met by virtue of sub-paragraph (5), the value of the individual's uncrystallised lump sum rights under the arrangement is the amount arrived at in accordance with paragraph 26.
- (8) Where the excess lump sum condition is met by virtue of sub-paragraph (6), the value of the individual's uncrystallised lump sum rights under the arrangement is the value of those rights calculated in accordance with paragraph 25(5), less the appropriate proportion of the lump sum excess.
- (9) The appropriate proportion of the lump sum excess is—

$$\frac{V}{AV}$$

where—

V is the value of the individual's uncrystallised lump sum rights under the arrangement, calculated in accordance with paragraph 25(5), and

AV is the aggregate of the values of the individual's uncrystallised lump sum rights under the arrangement and the other arrangement or arrangements, calculated in accordance with paragraph 25(5).

- 33 (1) Subject to sub-paragraph (2), the value of the individual's uncrystallised rights under the pension scheme on 5th April 2006 is the aggregate of the value of the individual's uncrystallised rights under each arrangement in respect of the individual under the pension scheme, calculated in accordance with paragraph 8(5).
- (2) If the pension scheme is a relevant pension scheme, the value of the individual's uncrystallised rights on 5th April 2006 under an arrangement—
- (a) which relates to a particular employment, and
  - (b) in relation to which the excess rights condition is met (see sub-paragraph (5) or (6)),
- is the amount arrived at in accordance with sub-paragraph (7) or (8).
- (3) A pension scheme is a relevant pension scheme if it falls within paragraph 1(1)(a) to (d).
- (4) Whether an arrangement relating to the individual relates to a particular employment is to be determined in accordance with paragraph 9(6).
- (5) If no other arrangement relating to the individual under a relevant pension scheme relates to the employment to which the arrangement relates, the excess rights condition is met in relation to the arrangement if—
- (a) the value of the individual's uncrystallised rights under the arrangement calculated in accordance with paragraph 8(5), exceeds
  - (b) the amount arrived at in relation to the arrangement in accordance with paragraph 9(3).
- (6) If one or more other arrangements relating to the individual under a relevant pension scheme or relevant pension schemes relates or relate to the employment to which the arrangement relates, the excess rights condition is met in relation to the arrangement if—

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- (a) the aggregate of the values of the individual’s uncrystallised rights under the arrangement and the other arrangement or arrangements, calculated in accordance with paragraph 8(5), exceeds
- (b) the amount arrived at in relation to those arrangements in accordance with paragraph 9(3);

and the amount by which the aggregate of those values exceeds that amount is the “rights excess”.

- (7) Where the excess rights condition is met by virtue of sub-paragraph (5), the value of the individual’s uncrystallised rights under the arrangement is the amount arrived at in accordance with paragraph 9(3).
- (8) Where the excess rights condition is met by virtue of sub-paragraph (6), the value of the individual’s uncrystallised rights under the arrangement is the value of those rights calculated in accordance with paragraph 8(5), less the appropriate proportion of the rights excess.
- (9) The appropriate proportion of the rights excess is—

$$\frac{V}{AV}$$

where—

V is the value of the individual’s uncrystallised rights under the arrangement, calculated in accordance with paragraph 8(5), and

AV is the aggregate of the values of the individual’s uncrystallised rights under the arrangement and the other arrangement or arrangements, calculated in accordance with paragraph 8(5).

- 34 (1) Schedule 29 applies with the following modifications.
- (2) Paragraph 2 applies as if the reference in sub-paragraph (2) to the arrangement under which the member becomes entitled to the relevant pension were to the pension scheme and for sub-paragraphs (5) to (8) there were substituted—

“(5) If paragraph 2(2) does not apply <sup>F1669</sup> ..., the permitted maximum is—<sup>F1670</sup>

$$\left( \text{VULSR} \times \frac{\text{ULA}}{\text{FSLA}} \right) + \text{ALSA}$$

<sup>F1671</sup>(6) .....

- (7) In this paragraph—

VULSR is the value of the individual’s uncrystallised lump sum rights under the pension scheme on 5th April 2006, calculated in accordance with paragraph 32 of Schedule 36,

[<sup>F1672</sup>ULA is the underpinned lifetime allowance,]

FSLA is £1,500,000 (the standard lifetime allowance for the tax year 2006-07), and

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ALSA is the <sup>F1673</sup>greater of the additional lump sum amount and nil].

(7A) The additional lump sum amount is—

$$\frac{LS + AC - \left( VUR \times \frac{CSLA}{FSLA} \right)}{4}$$

where—

LS is the lump sum paid (but this is subject to <sup>F1674</sup>sub-paragraphs (7AA) and (7B)),

<sup>F1675</sup>AC is -

- (a) in a case where the member becomes entitled to the pension in connection with which the lump sum is paid before reaching the age of 75, the amount crystallised by reason of the member becoming entitled to the pension, and
- (b) in a case where the member becomes entitled to that pension after reaching that age, the amount that would have been so crystallised but for paragraph 2 of Schedule 32,

(but this is subject to sub-paragraphs <sup>F1676</sup>(7AA) to (7B)),] <sup>F1677</sup> ...

VUR is the value of the individual's uncrystallised rights under the pension scheme on 5th April 2006, calculated in accordance with paragraph 33 of Schedule 36<sup>F1678</sup>, and

CSLA is the current standard lifetime allowance.]

<sup>F1679</sup>(7AA) Where the pension in connection with which the lump sum is paid is a scheme pension under a money purchase arrangement, AC is the scheme pension purchase price, as it would be defined by paragraph 3 if the words “but subject to sub-paragraph (8)” in sub-paragraph (7A) and sub-paragraph (8) were omitted.]

<sup>F1680</sup>(7AB) Where paragraph 1A applies to the lump sum, AC is the total of—

- (a) the sums held, at the time the lump sum is paid, for the purpose of providing the pension at that time expected to be the pension in connection with which the lump sum is paid, and
- (b) the market value at that time of the assets held at that time for that purpose.

(7AC) Where paragraph 1B applies to the lump sum, AC is the total of—

- (a) the sums held, at the time the lump sum is paid, for the purpose of providing the expected pension (see paragraph 1B(2)(b)), and
- (b) the market value at that time of the assets held at that time for that purpose.]

<sup>F1681</sup>(7AZA) The underpinned lifetime allowance” is the greater of the current standard lifetime allowance and £1,800,000 (the standard lifetime allowance for the tax year 2011-12).]

(7B) Any part of <sup>F1682</sup>what would otherwise be LS or AC] which represents rights attributable to a disqualifying pension credit is to be disregarded.

<sup>F1671</sup>(7C) .....

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- (3) Omit paragraph 3 (applicable amount for pension commencement lump sums) <sup>F1683</sup>(but without prejudice to its operation for the purposes of paragraph 2(7AA) of Schedule 29 as inserted by sub-paragraph (2)).

#### Textual Amendments

- F1669** Words in Sch. 36 para. 34(2) omitted (retrospective to 6.4.2006) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 29 para. 13\(1\)\(a\)\(2\)](#)
- F1670** Word in Sch. 36 para. 34(2) substituted (with effect in accordance with Sch. 18 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 18 para. 11\(2\)](#)
- F1671** Words in Sch. 36 para. 34(2) omitted (retrospective to 6.4.2006) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 29 para. 13\(1\)\(b\)\(2\)](#)
- F1672** Words in Sch. 36 para. 34(2) substituted (with effect in accordance with Sch. 18 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 18 para. 11\(3\)](#)
- F1673** Words in Sch. 36 para. 34(2) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 57, 64\(1\)](#)
- F1674** Words in Sch. 36 para. 34(2) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 25\(2\)](#)
- F1675** Words in Sch. 36 para. 34(2) substituted (with effect in accordance with Sch. 16 paras. 85, 102 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 82\(5\)](#)
- F1676** Words in Sch. 36 para. 34(2) substituted (19.3.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 5 paras. 10\(2\), 15](#)
- F1677** Word in Sch. 36 para. 34(2) omitted (with effect in accordance with art. 1(3) of the amending S.I.) by virtue of [The Pension Schemes \(Miscellaneous Amendments\) Order 2013 \(S.I. 2013/1114\)](#), arts. 1(1), [3\(a\)](#)
- F1678** Words in Sch. 36 para. 34(2) inserted (with effect in accordance with art. 1(3) of the amending S.I.) by [The Pension Schemes \(Miscellaneous Amendments\) Order 2013 \(S.I. 2013/1114\)](#), arts. 1(1), [3\(b\)](#)
- F1679** Words in Sch. 36 para. 34(2) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 25\(3\)](#)
- F1680** Words in Sch. 36 para. 34(2) inserted (19.3.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 5 paras. 10\(3\), 15](#)
- F1681** Words in Sch. 36 para. 34(2) inserted (with effect in accordance with Sch. 18 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 18 para. 11\(4\)](#)
- F1682** Words in Sch. 36 para. 34(2) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 25\(4\)](#)
- F1683** Words in Sch. 36 para. 34(3) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 25\(5\)](#)

#### Modifications etc. (not altering text)

- C293** Sch. 36 para. 34 modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), [21, 23](#) (as amended (1.1.2009) by [S.I. 2008/2990](#), arts. 1(1), [4](#); and (with effect in accordance with art. 1(2) of the amending S.I.) by [S.I. 2011/1782](#), arts. 1(1), [2\(2\)](#))
- C294** Sch. 36 para. 34(2) modified by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), art. 23ZD(3) (as inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [S.I. 2011/732](#), arts. 1(1), [3](#))
- C295** Sch. 36 para. 34(2) modified by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), art. 23ZE(4) (as inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [S.I. 2011/732](#), arts. 1(1), [3](#))
- C296** Sch. 36 para. 34(2) modified by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), art. 23ZA(3) (as inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [S.I. 2011/732](#), arts. 1(1), [3](#))

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*Winding-up lump sums paid by former approved superannuation funds*

- 35 (1) For the tax year 2006-07, Schedule 29 (authorised lump sums) applies in relation to former approved superannuation funds with the modifications specified in subparagraphs (2) and (3).
- (2) Paragraph 10 (winding-up lump sums) applies as if the following were omitted—
- (a) sub-paragraph (1)(c) and (d),
  - (b) sub-paragraph (2), and
  - (c) sub-paragraph (3).
- (3) Paragraph 11 (lifetime allowance excess lump sums) applies as if at the end of paragraph (b) there were inserted “or a winding-up lump sum”.
- (4) Section 636B of ITEPA 2003 (taxation of trivial commutation and winding-up lump sums) applies in relation to a winding-up lump sum paid by a former approved superannuation fund in the tax year 2006-07 as if—
- (a) in subsection (2), after “equal to” there were inserted “75% of”, and
  - (b) subsection (3) were omitted.
- (5) “Former approved superannuation fund” has the meaning given by paragraph 1(3).

**Modifications etc. (not altering text)**

**C297** Sch. 36 paras. 35, 36 excluded (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, **32**

*Right to payment of lump sum death benefit*

- 36 (1) This paragraph applies to a member of a registered pension scheme if on 5th April 2006—
- (a) the pension scheme is within any of paragraphs (a) to (e) of paragraph 1(1),
  - (b) the member has an actual (rather than a prospective) right to a pension under an arrangement under the pension scheme, and
  - (c) under the arrangement a lump sum death benefit is payable if the member dies within the guarantee period.
- (2) The guarantee period is the period of five years beginning with the day on which the member became entitled to the pension or, if later, the day on which the pension was first paid.
- (3) If the member dies after having reached the age of 75 and before the end of the guarantee period—
- (a) paragraph 14 of Schedule 29 (pension protection lump sum death benefit), <sup>F1684</sup>and]
  - (b) paragraph 16 of that Schedule (annuity protection lump sum death benefit), <sup>F1685</sup>...
  - <sup>F1685</sup>(c) .....  
 apply in relation to the member and the arrangement with the following modifications.
- <sup>F1686</sup>(4) .....

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- (5) Paragraph 14 (1) applies as if paragraph (d) were omitted.
- (6) Paragraph 14(2) applies as if the reference to the pension protection limit were to the transitional protection limit.
- (7) Paragraph 16(2) applies as if the reference to the annuity protection limit were to the transitional protection limit.
- <sup>F1687</sup>(8) .....
- (9) Section 206 (1) (special lump sum death benefits charge) does not apply to any pension protection lump sum death benefit [<sup>F1688</sup>or annuity protection lump sum death benefit] or unsecured pension fund lump sum death benefit paid by virtue of [<sup>F1689</sup>sub-paragraphs (3) to (7)].
- (10) If the member dies before having reached the age of 75 and before the end of the guarantee period—
  - (a) section 206 (1) does not apply to so much of any pension protection lump sum death benefit [<sup>F1690</sup>or annuity protection lump sum death benefit] or unsecured pension fund lump sum death benefit paid under the arrangement as does not exceed the transitional protection limit, and
  - (b) if the arrangement is a defined benefits arrangement, paragraph 14(1)(d) of Schedule 29 is to be treated as satisfied in relation to so much of the lump sum death benefit paid under the arrangement as does not exceed the transitional protection limit.
- (11) The transitional protection limit is—

## P – TPLS

where—

P is the amount of pension to which (had the member lived) the member would have been entitled under the arrangement in respect of the period beginning with the day of the member's death and ending with the last day of the guarantee period, and

TPLS is the amount of any pension protection lump sum death benefit [<sup>F1691</sup>or annuity protection lump sum death benefit] previously paid in respect of the pension.

### Textual Amendments

- F1684**Word in Sch. 36 para. 36(3) inserted (with effect in accordance with Sch. 16 paras. 85, 103 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 82\(6\)\(a\)\(i\)](#)
- F1685**Sch. 36 para. 36(3)(c) and word 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. 82\(6\)\(a\)\(ii\)](#)
- F1686**Sch. 36 para. 36(4) 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. 82\(6\)\(b\)](#)
- F1687**Sch. 36 para. 36(8) 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. 82\(6\)\(b\)](#)
- F1688**Words in Sch. 36 para. 36(9) substituted (with effect in accordance with Sch. 16 paras. 85, 103 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 82\(6\)\(c\)\(i\)](#)

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**F1689** Words in Sch. 36 para. 36(9) substituted (with effect in accordance with Sch. 16 paras. 85, 103 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 82\(6\)\(c\)\(ii\)](#)

**F1690** Words in Sch. 36 para. 36(10)(a) substituted (with effect in accordance with Sch. 16 paras. 85, 103 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 82\(6\)\(d\)](#)

**F1691** Words in Sch. 36 para. 36(11) substituted (with effect in accordance with Sch. 16 paras. 85, 103 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 82\(6\)\(e\)](#)

**Modifications etc. (not altering text)**

**C297** Sch. 36 paras. 35, 36 excluded (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, 32

**PART 4**

OTHER PROVISIONS

*Pre-commencement ill-health insurance contracts*

- 37 (1) Payments under protected ill-health insurance contracts are not unauthorised member payments.
- (2) Ill-health insurance contracts are contracts providing insurance against a risk relating to non-payment by a member of a pension scheme of contributions under the pension scheme.
- (3) An ill-health insurance contract is protected if it was made before 6th April 2006 under—
- (a) a personal pension scheme approved under Chapter 4 of Part 14 of ICTA before 6th April 2001, or
  - (b) an annuity contract or trust scheme approved under section 620 or 621 of ICTA or a substituted contract within the meaning of section 622(3) of ICTA.

*[<sup>F1692</sup>Pre-commencement holdings of taxable property*

**Textual Amendments**

**F1692** Sch. 36 paras. 37A-37I and cross-headings inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 158(2), [Sch. 21 para. 15](#)

- 37A (1) This paragraph applies in relation to an investment-regulated pension scheme if—
- (a) on 6th April 2006 the pension scheme holds an interest in taxable property which it acquired before that date, and
  - (b) immediately before that date the pension scheme was not prohibited from holding the interest in the property,
- and, in a case where immediately before that date the interest in the property was held directly by a person other than the pension scheme, if the pension scheme was not prohibited from holding the interest it held in that person at that time.
- (2) This paragraph also applies in relation to an investment-regulated pension scheme if—



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- (a) before 6th April 2006 a contract to acquire an interest in property was entered into by the pension scheme or a person in whom the pension scheme directly or indirectly held an interest when the contract was entered into,
- (b) the pension scheme does not acquire the interest in the property before that date,
- (c) the property is taxable property on that date, and
- (d) immediately before that date the pension scheme would not have been prohibited from holding the interest in the property,

and, in a case where the contract to acquire the interest in the property was entered into by a person in whom the pension scheme directly or indirectly held an interest, if the pension scheme was not prohibited from holding the interest it held in that person immediately before that date.

- (3) The taxable property provisions (apart from this paragraph and paragraphs 37B to 37E) do not apply in relation to the pension scheme and the interest in the property.
- (4) For the purposes of this Schedule a pension scheme is to be treated as having been prohibited from holding an interest in property, or in a person, immediately before 6th April 2006 if approval could have been withdrawn under section 591B, 620(7) or 650 of ICTA on the basis of the holding of the interest at that time.
- (5) This paragraph is subject to paragraphs 37B to 37E.

37B (1) Paragraph 37A ceases to apply to an investment-regulated pension scheme and an interest in taxable property on the relevant date if Condition A, B or C is met.

- (2) Condition A is that there is a change in the occupation or use of the property such that, if the change had occurred immediately before 6th April 2006, the pension scheme would have been prohibited from holding the interest in the property at that time.
- (3) Condition B is that—
  - (a) the taxable property is residential property on 6th April 2006, and
  - (b) improvement works on the property are begun on or after that date.
- (4) Condition C is that there is a change in the pension scheme's interest in—
  - (a) any person who holds the interest in the property directly, or
  - (b) any person who has entered into a contract to acquire the interest in the property,

such that, if the change had occurred immediately before 6th April 2006, the pension scheme would have been prohibited from holding the interest in the person at that time.

- (5) For the purposes of this paragraph the relevant date is—
  - (a) where Condition A is met, the date on which the change in the occupation or use of the taxable property takes place,
  - (b) where Condition B is met, the date on which the improvement works are substantially completed, or
  - (c) where Condition C is met, the date on which the change in the pension scheme's interest in the person takes place,

but where the pension scheme has not acquired the interest in the property by what would otherwise be the relevant date, the relevant date is the date on which it acquires the interest.

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- (6) Where Condition A, B or C is met the pension scheme is to be treated for the purposes of the taxable property provisions as acquiring the interest in the property on the relevant date.
- (7) For the purposes of Schedule 29A the total taxable amount in relation to any unauthorised payment which the pension scheme is treated as having made by reason of the acquisition is—
- (a) the market value on the relevant date of the interest in the property held by the person who holds it directly, or
  - (b) if the interest in the property is a lease at a rent, the amount of consideration that would be treated as given by the person for the lease by virtue of paragraph 34 of Schedule 29A if it were assigned to the person on that date.
- (8) Where—
- (a) the pension scheme holds the interest in the property directly, and
  - (b) the interest is not a lease at a rent,
- for the purposes of section 185G (gains from taxable property: disposal by person holding directly) the pension scheme is to be treated as having acquired the interest for a consideration equal to its market value on 6th April 2006.
- (9) For the purposes of sub-paragraph (3)(b) improvement works are to be taken to have been begun before 6th April 2006 only if—
- (a) a binding contract for the works was entered into before that date, or
  - (b) a substantial amount of the works has been carried out before that date.
- (10) For the purposes of this Schedule “improvement works” means, in relation to a property, works which—
- (a) materially improve the property, and
  - (b) are not carried out wholly for the purposes of complying with a statutory requirement or a requirement imposed by a government department, a statutory body or a person holding a statutory office.
- (11) For the purposes of sub-paragraph (10)(a) a property is materially improved by works only if—
- (a) its market value on the date the works are substantially completed (“MVW”) exceeds what would have been its market value on that date if the works had not been carried out (“MV”), and
  - (b) the amount by which MVW exceeds MV is greater than 20% of MV.
- (12) For the purposes of sub-paragraph (10)(b)—
- “statutory body” means a body set up by or under an enactment (including an enactment comprised in, or an instrument made under, an Act of the Scottish Parliament);
- “statutory office” means a body set up by or under such an enactment; and
- “statutory requirement” means a requirement imposed by provision made by or under such an enactment.
- (13) This paragraph is subject to paragraph 37D.
- 37C (1) This paragraph applies where—
- (a) on 6th April 2006 an investment-regulated pension scheme holds an interest in taxable property which it acquired before that date, and

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- (b) immediately before that date the pension scheme was prohibited from holding the interest.
- (2) This paragraph also applies where—
- (a) on 6th April 2006 an investment-regulated pension scheme holds an interest in taxable property indirectly which it acquired before that date, and
  - (b) immediately before that date the pension scheme was prohibited from holding the interest it held in the person that held the interest in the property directly at that time.
- (3) The pension scheme is to be treated for the purposes of the taxable property provisions as acquiring the interest in the property on 6th April 2006.
- (4) For the purposes of Schedule 29A the total taxable amount in relation to any unauthorised payment which the pension scheme is treated as having made by reason of the acquisition is—
- (a) the market value on 6th April 2006 of the interest in the property held by the person who holds it directly, or
  - (b) if the interest in the property is a lease at a rent, the amount of consideration that would be treated as given by the person for the lease by virtue of paragraph 34 of Schedule 29A if it were assigned to the person on that date.
- (5) Where—
- (a) the pension scheme holds the interest in the property directly, and
  - (b) the interest is not a lease at a rent,
- for the purposes of section 185G (gains from taxable property: disposal by person holding directly) the pension scheme is to be treated as having acquired the interest for a consideration equal to its market value on 6th April 2006.
- 37D (1) This paragraph applies where—
- (a) sub-paragraph (1) or (2) of paragraph 37A applies in relation to a pension scheme and an interest in property,
  - (b) immediately before 6th April 2006 the pension scheme was a self-invested personal pension scheme or a small self-administered scheme,
  - (c) on that date the pension scheme holds the interest in the property indirectly or (if sub-paragraph (2) of paragraph 37A applies in relation to the pension scheme and the interest in the property) the pension scheme will hold the interest indirectly once it has been acquired pursuant to the contract,
  - (d) the property is residential property on that date, and
  - (e) improvement works on the property were begun after 5th December 2005.
- (2) This paragraph also applies where—
- (a) sub-paragraph (1) or (2) of paragraph 37A applies in relation to a pension scheme and an interest in property,
  - (b) immediately before 6th April 2006 the pension scheme was a small self-administered scheme,
  - (c) on that date the pension scheme holds the interest in the property directly,
  - (d) the pension scheme acquired the interest before 5th August 1991,
  - (e) the property is residential property on 6th April 2006, and
  - (f) improvement works on the property were begun after 5th December 2005.

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- (3) If the works are completed on or after 6th April 2006, paragraph 37B applies in relation to the pension scheme and the interest in the property as if the works were begun on or after that date.
- (4) If the works are completed before that date—
- (a) paragraph 37A does not apply in relation to the pension scheme and the interest in the property, and
  - (b) unless the pension scheme has still to acquire the interest in the property on that date, sub-paragraphs (3) to (5) of paragraph 37C apply in relation to the pension scheme and the interest.
- (5) For the purposes of this paragraph improvement works are to be taken to have been begun before 6th December 2005 only if—
- (a) a binding contract for the works was entered into before that date, or
  - (b) a substantial amount of the works has been carried out before that date.
- 37E (1) This paragraph applies where—
- (a) paragraph 37A would otherwise apply in relation to a pension scheme and an interest in property,
  - (b) immediately before 6th April 2006 the pension scheme was a retirement benefits scheme approved under section 590 of ICTA, and
  - (c) the pension scheme was approved under that section after 5th December 2005.
- (2) Paragraph 37A does not apply in relation to the pension scheme and the interest in the property.
- (3) Unless the pension scheme has still to acquire the interest in the property on 6th April 2006, sub-paragraphs (3) to (5) of paragraph 37C apply in relation to the pension scheme and the interest.

*Post-commencement acquisitions of taxable property*

- 37F (1) This paragraph applies where on or after 6th April 2006 an investment-regulated pension scheme acquires an interest in taxable property consisting of tangible moveable property because a person in whom the pension scheme directly or indirectly holds an interest comes to hold the interest in the property directly.
- (2) The taxable property provisions (apart from this paragraph and paragraph 37G) do not apply in relation to the pension scheme and the interest in the property if the conditions in sub-paragraph (3) are met.
- (3) Those conditions are that—
- (a) on 6th April 2006 the pension scheme held the interest in the person by virtue of acquiring it before that date,
  - (b) immediately before that date the pension scheme was not prohibited from holding the interest in the person,
  - (c) at no time during the period beginning with that date and ending immediately before the acquisition of the interest in the property has the pension scheme's interest in the person been such that, if it had held that interest in the person immediately before 6th April 2006, it would have been prohibited from holding that interest at that time, and

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- (d) the person acquires the interest in the property so that the property may be used for the purposes of a trade, profession or vocation carried on by the person or for the purposes of its administration or management.
- (4) This paragraph is subject to paragraph 37G.
- 37G (1) Where Condition A or B is met in relation to the pension scheme and an interest in property to which paragraph 37F has applied, the pension scheme is to be treated for the purposes of the taxable property provisions as acquiring the interest in the property on the date on which the Condition is met.
- (2) Condition A is that there is a change in the pension scheme's interest in the person who holds the interest in the property directly such that, if the change had occurred immediately before 6th April 2006, the pension scheme would have been prohibited from holding the interest in the person at that time.
- (3) Condition B is that the property ceases to be used for the purposes of—
- (a) a trade, profession or vocation carried on by the person, or
  - (b) its administration or management.
- (4) For the purposes of Schedule 29A the total taxable amount in relation to any unauthorised payment which the pension scheme is treated as having made by reason of the acquisition is the market value on the relevant date of the interest in the property held by the person.
- 37H (1) This paragraph applies where on or after 6th April 2006 an investment-regulated pension scheme acquires an interest in taxable property consisting of residential property because a person in whom the pension scheme directly or indirectly holds an interest comes to hold the interest in the property directly.
- (2) The taxable property provisions (apart from this paragraph and paragraph 37I) do not apply in relation to the pension scheme and the interest in the property if the conditions in sub-paragraph (3) are met.
- (3) Those conditions are that—
- (a) on 6th April 2006 the pension scheme held the interest in the person by virtue of acquiring it before that date,
  - (b) immediately before that date the pension scheme was not prohibited from holding the interest in the person,
  - (c) immediately before that date the person had a business involving the holding and letting of residential property and held directly five or more assets consisting of interests in residential property for the purposes of that business,
  - (d) at no time during the period beginning with that date and ending immediately before the acquisition of the interest in the property has the pension scheme's interest in the person been such that, if it had held that interest in the person immediately before 6th April 2006, it would have been prohibited from holding that interest at that time,
  - (e) the person acquires the interest in the property for the purposes of its property rental business, and
  - (f) after the acquisition of the interest in the property, the property is not occupied or used by a member of the pension scheme or a person connected with such a member.
- (4) This paragraph is subject to paragraph 37I.

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- (5) [<sup>F1693</sup>Section 1122 of the Corporation Tax Act 2010] (connected persons) applies for the purposes of this paragraph.

**Textual Amendments**

**F1693** Words in Sch. 36 para. 37H(5) substituted (with effect in accordance with s. 1184(1) of the amending Act) by Corporation Tax Act 2010 (c. 4), s. 1184(1), Sch. 1 para. 432(4) (with Sch. 2)

- 371 (1) Where Condition A, B or C is met in relation to the pension scheme and an interest in property to which paragraph 37H has applied, the pension scheme is to be treated for the purposes of the taxable property provisions as acquiring, on the date on which the Condition is met, each interest in property—
- (a) which it holds on that date, and
  - (b) to which paragraph 37H has applied before that date.
- (2) Condition A is that there is a change in the pension scheme's interest in the person who holds the interest in the property directly such that, if the change had occurred immediately before 6th April 2006, the pension scheme would have been prohibited from holding the interest in the person at that time.
- (3) Condition B is that the property ceases to be used for the purposes of the person's property rental business.
- (4) Condition C is that the property is occupied or used by a member of the pension scheme or a person connected with such a member.
- (5) For the purposes of Schedule 29A the total taxable amount in relation to any unauthorised payment which the pension scheme is treated as having made by reason of an acquisition of an interest in property treated as made by virtue of this paragraph is—
- (a) the market value on the relevant date of the interest in the property held by the person who holds it directly, or
  - (b) if the interest in the property is a lease at a rent, the amount of consideration that would be treated as given by the person for the lease by virtue of paragraph 34 of Schedule 29A if it were assigned to the person on that date.]

*Pre-commencement loans to sponsoring employers*

- 38 (1) This paragraph applies to a loan if—
- (a) the loan was made before 6th April 2006 by an occupational pension scheme which becomes a registered pension scheme on that date,
  - (b) had this Part had been in force and had the pension scheme been a registered pension scheme at the time when the loan was made, it would have been a loan to a sponsoring employer, and
  - (c) the date by which the total amount owing (including interest) must be paid is on or after 6th April 2006.
- (2) If on or after 6th April 2006 there is no alteration in the repayment terms, section 179 (authorised employer loan) does not apply in relation to the loan.
- (3) If on or after 6th April 2006 there is an alteration in the repayment terms, section 179 applies as if, on the date of the alteration, the pension scheme made a loan to the

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sponsoring employer of an amount equal to the amount owing (including interest) on that date.

- (4) The postponement of the date by which the total amount owing (including interest) must be paid is not an alteration in the repayment terms if—
- (a) an amount is outstanding on the date by which the total amount owing should have been paid,
  - (b) the postponement is for a period not exceeding five years, and
  - (c) there has been no previous postponement on or after 6th April 2006.

*Retirement annuity contracts: carry-back of pre-commencement contributions*

- 39 The repeal by this Act of section 619(4) of ICTA (election on or before 31st January following tax year in which retirement annuity contract premium is paid to treat premium as paid in earlier tax year) does not prevent the making of an election under that provision (in relation to a premium paid in the tax year 2005-06) at any time on or before 31st January 2007.

*Members' contributions to pre-commencement retirement annuity contracts*

- 40 (1) Relief in respect of contributions made by a member under pre-commencement retirement annuity arrangements is not required to be given in accordance with section 192 (relief at source).
- (2) If relief in respect of contributions made by a member under pre-commencement retirement annuity arrangements is not given in accordance with section 192, relief in respect of the contributions is to be given in accordance with section 194 (relief on making of claim).
- (3) “Pre-commencement retirement annuity arrangements” means—
- (a) an annuity contract or trust scheme approved under section 620 or 621 of ICTA, or
  - (b) a substituted contract within the meaning of section 622(3) of ICTA.

**Modifications etc. (not altering text)**

**C298** Sch. 36 para. 40(3) modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), 27(1)(2)(5)

*Employers' contributions relieved before 6th April 2006*

- 41 To the extent that any contribution paid by an employer under a registered pension scheme was—
- (a) allowed to be deducted for the purposes of [F1694 Part 2 of ITTOIA 2005 (trading income) or] Case I or II of Schedule D,
  - (b) deductible under section 75 of ICTA (expenses of management: companies with investment business), or
  - (c) brought into account at Step 1 in section 76(7) of ICTA (expenses of insurance companies),

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for a period beginning before 6th April 2006, it is not allowed to be so deducted, so deductible, or available to be so brought into account for that or any other period in accordance with section 196 (relief for employers in respect of contributions paid).

#### Textual Amendments

**F1694** Words in Sch. 36 para. 41(a) inserted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 1 para. 656\(2\)](#) (with Sch. 2)

#### *Spreading of employer's contributions*

- 42 The power of the Board of Inland Revenue under section 592(6) of ICTA to direct that a sum paid under an exempt approved scheme otherwise than by way of ordinary annual contribution be treated as an expense to be spread over such period of years as the Board think fit continues to apply in relation to sums paid before 6th April 2006.

#### *Taxation of annuities paid under pre-commencement retirement annuity contracts*

**F1695** 43 . . . . .

#### Textual Amendments

**F1695** Sch. 36 para. 43 repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Finance Act 2005 \(c. 7\), Sch. 10 paras. 61\(a\), 64\(2\), Sch. 11 Pt. 4](#)

#### *Taxation of pensions accruing (but not taxed) pre-commencement and paid or received post-commencement*

- 44 (1) If an amount which accrued but was not paid before 6th April 2006 would have constituted taxable pension income under Chapter 7 of Part 9 of ITEPA 2003 (former approved superannuation fund annuities) had it been paid before that date, it is to be treated for the purposes of Chapter 5A of Part 9 of ITEPA 2003 (as inserted by Schedule 31) as if it accrues when it is paid.
- (2) If an amount which accrued but was not received before 6th April 2006 would have constituted taxable pension income under section 596 of ITEPA 2003 (personal pension annuities) had it been received before that date, it is to be treated for the purposes of Chapter 5A of Part 9 of ITEPA 2003 (as inserted by Schedule 31) as if it accrues when it is received.

#### *Pensions taxed pre-commencement but accruing post-commencement*

- 45 (1) If an amount which was paid but had not accrued before 6th April 2006 constituted taxable pension income under Chapter 7 of Part 9 of ITEPA 2003 (former approved superannuation fund annuities), it does not also constitute taxable pension income under Chapter 5A of Part 9 of ITEPA 2003 (as inserted by Schedule 31) when it accrues.
- (2) If an amount which was received but had not accrued before 6th April 2006 constituted taxable pension income under section 596 of ITEPA 2003 (personal



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pension annuities), it does not also constitute taxable pension income under Chapter 5A of Part 9 of ITEPA 2003 (as inserted by Schedule 31) when it accrues.

*[<sup>F1696</sup>Taxation of certain annuities for dependants purchased pre-commencement*

**Textual Amendments**

**F1696**Sch. 36 para. 45 and cross-heading inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 4 para. 19](#)

- 45A (1) The charge to tax under Part 9 of ITEPA 2003 (taxation of pension income) does not apply to an annuity payable to a person (“the dependant”) if—
- (a) the annuity is payable on the death of a member of a pension scheme,
  - (b) the annuity is paid in respect of the deceased member,
  - (c) the member had not reached the age of 75 at the date of the member's death,
  - (d) the member died on or after 3 December 2014,
  - (e) no payment of the annuity is made before 6 April 2015,
  - (f) the annuity has fulfilled the transitional conditions at all times on or after 6 April 2006,
  - (g) the annuity was purchased together with an annuity payable to the member, and
  - (h) that annuity payable to the member fulfilled the transitional conditions at all times in the period beginning with 6 April 2006 and ending with the member's death.
- (2) For the purposes of sub-paragraph (1)(g), an annuity is purchased together with another if they are purchased—
- (a) in the form of a joint life annuity, or
  - (b) separately in circumstances in which the day on which the one is purchased is no earlier than seven days before, and no later than seven days after, the day on which the other is purchased.
- (3) In sub-paragraph (1) “the transitional conditions” means the conditions specified in the subsection (3A) set out in article 2(3) of the Taxation of Pension Schemes (Transitional Provisions) Order 2006 (S.I. 2006/572).]

*Application of PAYE to certain annuities in payment at commencement*

<sup>F1697</sup>46 .....

**Textual Amendments**

**F1697**Sch. 36 para. 46 repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 61\(b\), 64\(2\)](#), [Sch. 11 Pt. 4](#)

*Authorised surplus payments charge: pre-19th March 1986 winding-up*

- 47 Section 207 (authorised surplus payments charge) does not apply to any payment made in pursuance of the winding-up of a pension scheme if the winding-up commenced before 19th March 1986.

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*Annual allowance charge: post-commencement contributions  
to discharge pre-commencement unfunded promises*

- 48 (1) This paragraph applies where, during the period beginning with 6th April 2006 and ending with 7th July 2006, an employer of an individual makes a relevant consolidation contribution in respect of the individual under an arrangement under a registered pension scheme relating to the individual.
- (2) The pension input amount in respect of the arrangement during the pension input period of the arrangement ending in the tax year 2006-07 is to be reduced by the amount of the contribution.
- (3) “Relevant consolidation contribution” means a contribution made by way of discharge of any liability incurred by the employer before 6th April 2006 to pay any pension or lump sum to or in respect of the individual.

F1698 ...

**Textual Amendments**

F1698 Sch. 36 para. 49 cross-heading omitted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 25](#)

F1699 49 .....

**Textual Amendments**

F1699 Sch. 36 para. 49 omitted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 25](#)

*Saving of sections 605 and 651A of ICTA*

- 50 The repeal by this Act of sections 605 and 651A of ICTA (information powers) does not affect the operation of those sections, or regulations under them, in relation to times before 6th April 2006.

*Individuals with pre-commencement entitlement to corresponding relief*

- 51 (1) This paragraph applies where the Board of Inland Revenue allow contributions made by an individual under a pension scheme as deductions under Chapter 2 of Part 5 of ITEPA 2003 for the tax year 2005-06 in accordance with section 355 of that Act (deductions for corresponding payments by non-domiciled employees with foreign employers).
- (2) Where the individual makes contributions under the pension scheme for any subsequent tax year, the Board of Inland Revenue may allow the contributions as deductions under Chapter 2 of Part 5 of that Act if, as well as the Board of Inland Revenue being satisfied that the conditions in section 355 of that Act are met, the scheme manager complies with any prescribed benefit crystallisation information requirements imposed on the scheme manager.
- (3) Schedule 34 (non-UK schemes: application of certain charges) applies in relation to the pension scheme and the individual as if allowing the contributions as deductions

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under Chapter 2 of Part 5 of ITEPA 2003 by virtue of sub-paragraph (2) were the giving of relief by virtue of Schedule 33 (overseas pension schemes: migrant member relief).

- (4) “Prescribed benefit crystallisation information requirements” means requirements imposed by or under regulations made by the Board of Inland Revenue to provide to the Inland Revenue any information relating to events that are benefit crystallisation events in relation to the individual.
- (5) The references in sub-paragraphs (2) and (3) to the pension scheme include a pension scheme <sup>F1700</sup>(“a transferee pension scheme”) if there has been—
- (a) a block transfer from the pension scheme within sub-paragraph (1) (“the original pension scheme”) to the transferee pension scheme, or
  - (b) a block transfer to the transferee pension scheme from a pension scheme that was a transferee pension scheme in relation to the original pension scheme by virtue of the previous application of paragraph (a) or the previous application (on one or more occasions) of this paragraph.]
- (6) “Block transfer” has the same meaning as in paragraph 22(6), but treating the references there to the member as references to the individual.

#### Textual Amendments

**F1700** Words in Sch. 36 para. 51(5) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\), Sch. 10 paras. 55\(7\), 64\(1\)](#)

#### Modifications etc. (not altering text)

**C299** Sch. 36 para. 51 applied (N.I.) (1.7.2012) by [The Occupational and Personal Pension Schemes \(Automatic Enrolment\) Regulations \(Northern Ireland\) 2010 \(S.R. 2010/122\)](#), regs. 1(1), **47(6)** (as amended (1.7.2012) by [S.R. 2012/237](#), regs. 1(1)(b), 2(2))

#### *Continuing operation of section 392 of ITEPA 2003*

- 52 Section 392 of ITEPA 2003 (non-approved schemes: relief where no benefits are paid or payable) continues to have effect in relation to a sum charged to tax by virtue of section 386 of ITEPA 2003 or section 595 of ICTA (charges on payments to schemes) before 6th April 2006.

#### *Benefits taxable under Chapter 2 of Part 6 of ITEPA 2003: contributions taxed pre-commencement*

- 53 (1) Paragraph 54 or 55 has effect where—
- (a) section 394 of ITEPA 2003 (charge on benefits from non-approved schemes) operates (or would otherwise operate) by reason of the provision of a lump sum under an employer-financed retirement benefits scheme on or after 6th April 2006, and
  - (b) before that date an employer has paid any sum or sums, with a view to the provision of benefits under the scheme, in respect of which an employee is taxed.
- (2) For the purposes of sub-paragraph (1)(a) section 394 of ITEPA 2003 operates if—

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- (a) an amount counts as employment income of an individual under that section, or
  - (b) the person who is, or persons who are, the responsible person in relation to the scheme is or are chargeable [<sup>F1701</sup>to income tax under subsection (2) of] that section.
- (3) For the purposes of sub-paragraph (1)(b) an employee is taxed in respect of a sum or sums if—
- (a) the employee is assessed to tax by virtue of section 595 (1) of ICTA (charges on payments) in respect of the sum or sums, or
  - (b) the sum or sums counts or count as employment income of the employee under section 386 (1) of ITEPA 2003 (charges on payments).
- (4) It is to be assumed, unless the contrary is shown, that neither paragraph 54 nor paragraph 55 has effect.

#### Textual Amendments

**F1701** Words in Sch. 36 para. 53(2)(b) substituted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 1 para. 656\(3\)](#) (with Sch. 2)

#### Modifications etc. (not altering text)

**C300** Sch. 36 para. 53(3) applied by 2003 c. 1, s. 554U(2) (as inserted (19.7.2011) by [Finance Act 2011 \(c. 11\), Sch. 2 para. 1](#))

- 54 (1) This paragraph has effect if—
- (a) all of the income and gains accruing to the scheme are brought into charge to tax and the lump sum is provided to the employee, a relative of the employee, the personal representatives of the employee, an ex-spouse [<sup>F1702</sup>or former civil partner] of the employee or any other individual designated by the employee, or
  - (b) the scheme was entered into before [<sup>F1703</sup>1st December 1993] and has not been varied on or after that date with a view to the provision of benefits under the scheme.
- (2) In a case where the employer has not paid any sum or sums with a view to the provision of benefits under the scheme since before 6th April 2006, section 394 of ITEPA 2003 (charge on benefits from non-approved schemes) does not apply in relation to the lump sum.
- (3) In a case where the employer has paid any sum or sums with a view to the provision of benefits under the scheme on or after 6th April 2006—
- (a) section 394 of ITEPA 2003 does not apply in relation to so much of the lump sum as does not exceed the appropriate fraction of the amount of the market value of the assets of the scheme on 5th April 2006 as increased under sub-paragraph (4), and
  - (b) only any sum or sums paid by the employee after that date with a view to the provision of benefits under the scheme is or are to be taken into account under section 395 of ITEPA 2003 (general rules).
- (4) For the purposes of sub-paragraph (3)(a)—

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- (a) “the appropriate fraction” of the amount of the market value of the assets of the scheme on 5th April 2006 is the same fraction as the fraction of the assets of the scheme to which the employee would have been entitled had the scheme been wound up on that date, and
- (b) the amount of the market value of the assets of the scheme on that date is to be increased by the percentage by which the retail prices index for the month in which the lump sum is provided is greater than that for April 2006.

(5) In this paragraph—

“ex-spouse”, in relation to an employee, means the other party to a marriage with the employee that has been dissolved or annulled, and

[<sup>F1704</sup>“former civil partner”, in relation to an employee, means the other party to a civil partnership with the employee that has been dissolved or annulled,]

“relative”, in relation to an employee, means—

- (a) the [<sup>F1705</sup>spouse or civil partner] of the employee,
- (b) the widow or widower [<sup>F1706</sup>or surviving civil partner] of the employee,
- (c) a child of the employee, or
- (d) a dependant of the employee.

#### Textual Amendments

**F1702** Words in Sch. 36 para. 54(1)(a) inserted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **182(a)**

**F1703** Words in Sch. 36 para. 54(1)(b) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), **Sch. 23 para. 46**

**F1704** Words in Sch. 36 para. 54(5) inserted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **182(b)(i)**

**F1705** Words in Sch. 36 para. 54(5) substituted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **182(b)(ii)(aa)**

**F1706** Words in Sch. 36 para. 54(5) inserted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **182(b)(ii)(bb)**

- 55 (1) This paragraph has effect if paragraph 54 does not.
- (2) Section 394 of ITEPA 2003 (charge on benefits from non-approved schemes) does not apply in relation to so much of the lump sum as does not exceed the sum, or the aggregate of the sums, referred to in paragraph 53(1)(b).
  - (3) And the reference in section 395 of that Act (general rules) to the amount of the lump sum is to the amount of the remainder of the lump sum.

#### *Inheritance tax*

- 56 (1) This paragraph applies in relation to a fund or scheme—
- (a) which is not a registered pension scheme [<sup>F1707</sup>, a qualifying non-UK pension scheme] or a superannuation fund to which section 615(3) of ICTA applies, but
  - (b) to which section 151 of the Inheritance Tax Act 1984 (c. 51) (treatment of pension rights) applied immediately before 6th April 2006.

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- (2) If no contributions are made under the fund or scheme on or after that date—
- (a) section 151 of the Inheritance Tax Act 1984 continues to apply to the fund or scheme on and after that date for all purposes of that Act, and
  - (b) property which is part of or held for the purposes of the fund or scheme does not constitute relevant property for the purposes of Chapter 3 of Part 3 of that Act (settlements without interest in possession).
- (3) In any other case, paragraphs 57 and 58 apply to the fund or scheme on and after that date.
- [<sup>F1708</sup>(4) In this paragraph “qualifying non-UK pension scheme” has the same meaning as in the Inheritance Tax Act 1984 (see section 271A of that Act).]

#### Textual Amendments

**F1707** Words in Sch. 36 para. 56(1)(a) inserted (retrospective to 6.4.2006) by [Finance Act 2008 \(c. 9\)](#), [Sch. 29 para. 18\(7\)\(a\)\(8\)](#)

**F1708** Sch. 36 para. 56(4) inserted (retrospective to 6.4.2006) by [Finance Act 2008 \(c. 9\)](#), [Sch. 29 para. 18\(7\)\(b\)\(8\)](#)

- 57 (1) The [<sup>F1709</sup>percentage] of the assets of the fund or scheme which at any time is the protected [<sup>F1709</sup>percentage] of those assets does not at that time constitute relevant property for the purposes of Chapter 3 of Part 3 of the Inheritance Tax Act 1984 (settlements without interest in possession).
- (2) “The protected [<sup>F1710</sup>percentage]” of the assets of the fund or scheme at a time is—

$$\frac{ACV}{V} \times 100$$

where—

V is the market value of the assets of the fund or scheme at that time, and

ACV is the adjusted commencement value, that is an amount equal to the market value of the assets of the fund or scheme on 5th April 2006, but subject to the adjustments provided by sub-paragraph (3).

- (3) The adjustments are—
- (a) an increase by the percentage by which the retail prices index for the month of September immediately preceding the time in question is greater than that for April 2006, and
  - (b) a reduction by the amount of any relevant payments made under the fund or scheme on or after 6th April 2006 and before that time.
- (4) “Relevant payments” are payments other than—
- (a) payments of costs or expenses, or
  - (b) payments which are (or will be) income of any person for any of the purposes of income tax.

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#### Textual Amendments

**F1709** Word in Sch. 36 para. 57(1) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 58\(2\)](#), [64\(1\)](#)

**F1710** Word in Sch. 36 para. 57(2) substituted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 58\(2\)](#), [64\(1\)](#)

- 58 (1) Section 151 of the Inheritance Tax Act 1984 (treatment of pension rights) continues to apply to so much of the assets of the fund or scheme at any time as does not exceed the amount that is the protected amount at that time.
- (2) But sub-paragraph (1) does not affect the operation of subsection (1)(d) of section 58 of that Act (because paragraph 57 makes provision about the extent to which the assets of the fund or scheme constitute relevant property within the meaning given by that section).
- (3) If inheritance tax has not previously been chargeable (otherwise than only because of this paragraph) by reference to the value of the assets of the fund or scheme on or after 6th April 2006, the protected amount is an amount equal to the amount of the market value of the assets of the fund or scheme on 5th April 2006, but subject to the adjustments provided by sub-paragraph (4).
- (4) The adjustments are—
- (a) an increase by the percentage by which the retail prices index for the month of September immediately preceding the time in question is greater than that for April 2006, and
  - (b) a reduction by the amount of any relevant payments made under the fund or scheme on or after 6th April 2006 and before that time.
- (5) If inheritance tax would (apart from this paragraph) have previously been chargeable by reference to the value of the assets of the fund or scheme on one or more occasions on or after 6th April 2006, the protected amount is what it was immediately before the occasion, or (where there has been more than one) the last occasion, on which inheritance tax would have been so chargeable (“the relevant tax occasion”), but—
- (a) reduced by the value of the property on which inheritance tax would have been chargeable on the relevant tax occasion, and
  - (b) subject to the adjustments provided by sub-paragraph (6).
- (6) The adjustments are —
- (a) an increase by the percentage by which the retail prices index for the month of September immediately preceding the time in question is greater than that for the month in which the relevant tax occasion fell, and
  - (b) a reduction by the amount of any [<sup>F1711</sup>relevant] payments made under the fund or scheme since the relevant tax occasion.
- (7) “Relevant payments” are payments other than—
- (a) payments of costs or expenses, or
  - (b) payments which are (or will be) income of any person for any of the purposes of income tax.

#### Textual Amendments

**F1711** Word in Sch. 36 para. 58(6)(b) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 58\(3\)](#), [64\(1\)](#)

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## SCHEDULE 37

Section 285

### OIL TAXATION: TAX-EXEMPT TARIFFING RECEIPTS AND ASSETS PRODUCING THEM

#### PART 1

#### AMENDMENTS OF THE OIL TAXATION ACT 1983 RELATING TO ALLOWABLE EXPENDITURE AND DISPOSAL RECEIPTS

##### *Introductory*

- 1 The Oil Taxation Act 1983 (c. 56) is amended in accordance with the following provisions of this Part.

##### *Expenditure incurred on long-term assets other than non-dedicated mobile assets*

- 2 (1) Section 3 (expenditure incurred on long-term assets other than non-dedicated mobile assets) is amended as follows.
- (2) In subsection (4) (whole of expenditure to be allowable, except as provided by the provisions there specified) for “section 4” substitute “sections 3A and 4”.

##### *Exclusion from s.3(4) of expenditure on assets giving rise to tax-exempt tariffing receipts*

- 3 After section 3 insert—

#### **“3A Exclusion from section 3(4) of expenditure on assets giving rise to tax-exempt tariffing receipts**

- (1) This section applies where—
- (a) expenditure incurred on or after 1st January 2004 falls within section 3 (1) above, but
  - (b) some of the use (or expected use) of the asset in relation to which the expenditure was incurred is use in a way that gives rise to tax-exempt tariffing receipts (see section 6A(2) below).
- (2) In any such case, such part of the expenditure as it is just and reasonable to apportion to the use mentioned in subsection (1)(b) above shall be excluded from the expenditure which is allowable as mentioned in section 3(4) above.”.

##### *Expenditure related to exempt gas: asset use giving rise to tax-exempt tariffing receipts*

- 4 (1) Section 4 (expenditure related to exempt gas and deballasting) is amended as follows.
- (2) After subsection (5) insert—
- “(6) But where—
- (a) expenditure would (apart from this subsection) fall within paragraph (a) of subsection (5) above, and



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- (b) the asset has, at any time in the period of 6 years ending with the date on which the expenditure was incurred, been used in a way that gives rise to tax-exempt tariffing receipts,
- the expenditure shall not be regarded for the purposes of that subsection as expenditure incurred in enhancing the value of the asset with a view to the subsequent disposal of the asset, or of an interest in it, to the extent that the amount of the expenditure falls to be reduced in accordance with subsection (7) below.
- (7) The reduction is to be made by applying section 7A below in relation to the expenditure as it applies in relation to disposal receipts in respect of a disposal, but with the substitution—
- (a) for references to the disponor, of references to the person incurring the expenditure (“the relevant participator”),
  - (b) for references to the amount or value (apart from that section) of any disposal receipts of the disponor in respect of the disposal, of references to the amount which would, apart from subsection (6) above, be the amount of the expenditure incurred by the relevant participator with a view to the subsequent disposal of the asset or of an interest in it,
  - (c) for references to the interest disposed of, of references to the asset or interest whose subsequent disposal gives or is expected to give rise to disposal receipts,
  - (d) for references to the date of the disposal, of references to the date on which the expenditure was incurred,
- and taking the reference in subsection (6)(b) of that section to a reduction made by virtue of that section as a reference to a reduction made by virtue of that section for the purposes of section 7(9) of this Act.”.

*Disposal receipts from assets used in a way that gives rise to tax-exempt tariffing receipts*

- 5 (1) Section 7 (chargeable receipts from disposals) is amended as follows.
- (2) In subsection (4) (no account to be taken of disposal more than 2 years after cessation of use in connection with any oil field whatsoever or ceasing to give rise to tariff receipts)—
- (a) at the end of paragraph (b) insert “or
  - (c) ceases to give rise to tax-exempt tariffing receipts of that participator,”; and
  - (b) in the closing words, for “later” substitute “ latest ”.
- (3) After subsection (8) insert—
- “(9) In determining the amount or value of the disposal receipts of the participator in question in a case where the qualifying asset has been used in a way that gives rise to tax-exempt tariffing receipts, the amount or value (apart from this subsection) of any disposal receipts of his in respect of the disposal shall be reduced in accordance with section 7A below.”.
- (4) After section 7 insert—

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### **“7A Reduction of disposal receipts: use giving rise to tax-exempt tariffing receipts**

- (1) Where this section applies, the amount or value (apart from this section) of any disposal receipts of the participator (“the disponor”) in respect of the disposal shall be reduced in accordance with the following provisions of this section.
- (2) The reduction is to be made by multiplying that amount or value by the fraction that is equal to—

$$1 - \frac{T}{A}$$

- (3) In that formula—

T is the aggregate of the tax-exempt tariffing use of the asset in the reference period by—

- (a) the disponor, so far as referable to the interest disposed of, and
- (b) each of the previous owners, so far as referable to that previous owner’s represented interest, and

A is the aggregate of all use of the asset in the reference period by—

- (a) the disponor, so far as referable to the interest disposed of, and
- (b) each of the previous owners, so far as referable to that previous owner’s represented interest,

but only taking into account for this purpose use of the asset by a person at a time when he is or was a participator in a taxable field.

- (4) For the purposes of this section—

“the interest disposed of” means the asset, or the interest in an asset, the disposal of which gives rise to the disposal receipts mentioned in subsection (1) above;

“previous owner” means any person from whom the disponor directly or indirectly derives his title to the whole or any part of the interest disposed of;

“the reference period” means the shorter of the following periods ending with the date of the disposal—

- (a) the period of 6 years; or
- (b) the period beginning with the bringing into existence of the asset;

“represented interest”, in the case of a previous owner, means so much of the interest which that previous owner had in the asset as is represented in the interest disposed of;

“tax-exempt tariffing use”, in relation to an asset, means use of the asset in a way that gives rise to tax-exempt tariffing receipts.

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- (5) Any apportionment that falls to be made for the purpose of determining a previous owner's represented interest shall be made using a method which is just and reasonable, having regard to—
- (a) the proportion of any person's interest that was acquired from any particular person, and
  - (b) the proportion of any person's interest that was transferred to any particular person.

- (6) Where—
- (a) the disponent or any previous owner acquired the asset or an interest in the asset from another person, and
  - (b) on that other person's corresponding disposal of the asset or interest a reduction was made by virtue of this section,

use of the asset shall not be brought into account in determining T or A in the formula in subsection (2) above to the extent that it was so brought into account in relation to that corresponding disposal.

- (7) Where paragraph 9 of Schedule 2 to this Act (reduction of disposal receipts in respect of brought-in assets) applies in relation to an asset, no account shall be taken for the purposes of this section of any use of the asset during the initial period.

In this subsection “the initial period”, in relation to an asset, has the same meaning as it has in relation to that asset in paragraph 7 of Schedule 1 to this Act (restriction on allowable expenditure on brought-in asset).

- (8) For the purposes of this section, the amount of use of an asset—
- (a) where the use is in relation to oil, is to be determined by reference to the volume of oil in relation to which the asset is used, and
  - (b) where the use is otherwise than in relation to oil, is to be determined on a just and reasonable basis.

- (9) For the purposes of this section, the extent to which use of an asset is referable to—

- (a) the interest disposed of, or
- (b) the represented interest of a previous owner,

shall be determined on a just and reasonable basis, having regard to the size of the interest in question and the size from time to time of the whole interest in the asset of the disponent or, as the case may be, that previous owner.”.

*Assets no longer in use for the principal field*

- 6 (1) In Schedule 1 (allowable expenditure) in Part 1 (extensions of allowable expenditure for assets generating receipts) paragraph 3 is amended as follows.

- (2) After sub-paragraph (2) insert—

“(2A) But where—

- (a) the expenditure would (apart from this sub-paragraph) be regarded as incurred with a view to the subsequent disposal of the asset or of an interest in it, and

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- (b) the asset has, at any time in the period of 6 years ending with the date on which the expenditure was incurred, been used in a way that gives rise to tax-exempt tariffing receipts,
- the expenditure shall not be regarded for the purposes of this paragraph as expenditure incurred with a view to the subsequent disposal of the asset or of an interest in it, to the extent that the amount of the expenditure falls to be reduced in accordance with sub-paragraph (2B) below.
- (2B) The reduction is to be made by applying section 7A of this Act in relation to the expenditure as it applies in relation to disposal receipts in respect of a disposal, but with the substitution—
- (a) for references to the disponor, of references to the participator incurring the expenditure (“the relevant participator”),
  - (b) for references to the amount or value (apart from that section) of any disposal receipts of the disponor in respect of the disposal, of references to the amount which would, apart from sub-paragraph (2A) above, be the amount of the expenditure incurred by the relevant participator with a view to the subsequent disposal of the asset or of an interest in it,
  - (c) for references to the interest disposed of, of references to the asset or interest whose subsequent disposal gives or is expected to give rise to disposal receipts,
  - (d) for references to the date of the disposal, of references to the date on which the expenditure was incurred,
- and taking the reference in subsection (6)(b) of that section to a reduction made by virtue of that section as a reference to a reduction made by virtue of that section for the purposes of section 7(9) of this Act.”.

#### *Brought-in assets*

- 7 (1) In Part 2 of Schedule 1, paragraph 7 is amended as follows.
- (2) In sub-paragraph (1)(c) (use of asset otherwise than in connection with a taxable field between acquisition etc and first use in connection with oil field)—
- (a) after “was used” insert “ (i) ”;
  - (b) after “otherwise than in connection with a taxable field,” insert “ or ”;
  - (c) after the word “or” so inserted, insert the following sub-paragraph—
 

“(ii) in connection with a taxable field in a way that gives rise to tax-exempt tariffing receipts,”.

#### *Subsequent use of new asset otherwise than in connection with a taxable field*

- 8 (1) In Part 2 of Schedule 1, paragraph 8 is amended as follows.
- (2) In sub-paragraph (3) (asset giving rise to tariff receipts attributable to taxable field treated as used in connection with a taxable field)—
- (a) after “gives rise to” insert “ (a) ”;
  - (b) after “attributable to a taxable field,” insert “ or ”;
  - (c) after the word “or” so inserted, insert the following paragraph—
 

“(b) tax-exempt tariffing receipts which, if they were tariff receipts (and expenditure were or had been allowable

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accordingly), would be tariff receipts of the purchaser attributable to a taxable field.”

- (3) In sub-paragraph (5) (chargeable period to be determined in relation to field in respect of which asset last gave rise to tariff receipts of purchaser etc) at the end of paragraph (b) insert “or
- (c) if it is later than paragraph (a) and (where otherwise applicable) paragraph (b) above, in respect of which the asset would have last given rise to tariff receipts of the purchaser had tax-exempt tariffing receipts of the purchaser been tariff receipts of his (and if expenditure were or had been allowable accordingly);”.

## PART 2

### TRANSITIONAL PROVISION

#### *Expenditure incurred in transitional period: restriction of tax-exempt tariffing receipts*

- 9 (1) In this paragraph—
- “claim period” has the same meaning as in Part 1 of the Oil Taxation Act 1975 (c. 22);
- “relevant receipts” means each of the following—
- (a) tax-exempt tariffing receipts;
- (b) amounts that would be tax-exempt tariffing receipts apart from sub-paragraph (4);
- “the transitional period” means the period—
- (a) beginning with 9th April 2003, and
- (b) ending with 31st December 2003.
- (2) This paragraph applies where—
- (a) expenditure was incurred in the transitional period by a participator in an oil field in acquiring, bringing into existence or enhancing the value of an asset,
- (b) the asset is one whose useful life continues, or is expected to continue, after the end of the claim period in which the expenditure was incurred,
- (c) the expenditure is allowable for a claim period ending after 9th April 2003,
- (d) at the time the expenditure was incurred, the asset was being, or was expected to be, used to any extent in relation to—
- (i) an oil field or foreign field (a “user field”), or
- (ii) oil won from such a field, and
- (e) that use (or expected use) is use in such a way as, in a chargeable period ending on or after 30th June 2004, gives rise, or would have given rise, to relevant receipts of the participator or, where sub-paragraph (3) applies, of a successor.
- (3) This sub-paragraph applies where—
- (a) after the incurring of the expenditure, there is or has been a transfer of an interest of the participator’s in the asset, and
- (b) as a result of that transfer (or of any subsequent transfer of the whole or any part of that interest), relevant receipts (“consequential relevant

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receipts”) arise, or are expected to arise, to a person (a “successor”) who is a participator in an oil field.

(4) In the case of each user field, the initial portion of the aggregate of the relevant receipts of the participator, and the consequential relevant receipts of each successor, that are referable to—

- (a) use of the asset in relation to that field or oil won from it, or
- (b) the provision of services or other business facilities of whatever kind in connection with any such use of the asset (otherwise than by the participator or the successor himself),

shall not be tax-exempt tariffing receipts (and shall accordingly continue to be tariff receipts).

(5) In this paragraph—

“the initial portion”, in relation to the aggregate of any relevant receipts, means so much of that aggregate as does not exceed the qualifying threshold for the user field in question; and for this purpose amounts received or receivable at an earlier date are to be attributed to the initial portion before amounts received or receivable at a later date;

“the qualifying threshold”, in relation to a user field, means an amount equal to such part of the aggregate of the expenditure—

- (a) incurred by the participator in relation to the asset in question, and
- (b) falling within sub-paragraph (2),

as it is just and reasonable to apportion to the use (or expected use) of the asset, in relation to that user field or oil won from it, in a way that gives rise to relevant receipts of the participator or consequential relevant receipts of any successor.

(6) Expressions used in this paragraph and in section 6A of the Oil Taxation Act 1983 (c. 56) have the same meaning in this paragraph as they have in that section.

### PART 3

#### AMENDMENTS OF THE TAXES ACT 1988

##### *Introductory*

F1712<sup>10</sup> .....

##### **Textual Amendments**

**F1712**Sch. 37 para. 11 repealed (1.4.2010) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), [Sch. 10 Pt. 6](#) (with [Sch. 9 paras. 1-9, 22](#)) and repealed (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), [Sch. 3 Pt. 2](#) (with [Sch. 2](#))

*Section 496: treatment of tax-exempt tariffing receipts for income and corporation tax*

F1712<sup>11</sup> .....

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### Textual Amendments

**F1712**Sch. 37 para. 11 repealed (1.4.2010) by Taxation (International and Other Provisions) Act 2010 (c. 8), s. 381(1), **Sch. 10 Pt. 6** (with Sch. 9 paras. 1-9, 22) and repealed (with effect in accordance with s. 1184(1) of the amending Act) by Corporation Tax Act 2010 (c. 4), s. 1184(1), **Sch. 3 Pt. 2** (with Sch. 2)

## PART 4

### AMENDMENTS OF OTHER ENACTMENTS

#### FINANCE ACT 1999

##### *Qualifying assets*

##### *Qualifying assets*

- 12 (1) Section 98 of the Finance Act 1999 (c. 16) is amended as follows.
- (2) After the words “tariff receipts”, in each place where they occur, insert “, tax-exempt tariffing receipts”.
- (3) After subsection (6) insert—
- “(6A) In relation to tax-exempt tariffing receipts, any reference in this section—
- (a) to being attributable to a field for a period, or
- (b) to being referable to an asset,
- shall be construed as if tax-exempt tariffing receipts were tariff receipts (and expenditure were or had been allowable accordingly).”.

## SCHEDULE 38

Section 286

### SCHEDULE TO BE INSERTED AS SCHEDULE 19B TO THE TAXES ACT 1988

The following is the Schedule to be inserted as Schedule 19B to the Taxes Act 1988—

#### “SCHEDULE 19B

Section 496A

### PETROLEUM EXTRACTION ACTIVITIES: EXPLORATION EXPENDITURE SUPPLEMENT

## PART 1

### INTRODUCTORY

#### About this Schedule

- 1 (1) This Schedule entitles a company carrying on a ring fence trade, on making a claim in respect of an accounting period ending on or after 1st January 2004, to a supplement (initially of 6%, but variable by Treasury order) in respect of—

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- (a) qualifying capital expenditure incurred before the trade is set up and commenced,
  - (b) losses incurred in the trade, determined by reference to allowances under Part 6 of the Capital Allowances Act (expenditure on research and development) in respect of qualifying capital expenditure, and
  - (c) some or all of the supplement allowed in respect of earlier periods.
- (2) To qualify, the capital expenditure in question must be incurred on or after 1st January 2004 in respect of oil and gas exploration and appraisal (as well as satisfying other conditions).
- (3) Part 2 makes provision about the application and interpretation of this Schedule.
- (4) Part 3 makes provision about supplement in relation to expenditure incurred by the company—
- (a) with a view to carrying on a ring fence trade, but
  - (b) in an accounting period before the company sets up and commences that trade.
- (5) Part 4 makes provision about supplement in relation to losses incurred in carrying on the ring fence trade.
- (6) There is a limit on the number of accounting periods (6) in respect of which a company may claim supplement.
- (7) In determining the amount of supplement allowable, reductions fall to be made in respect of—
- (a) disposal receipts by virtue of section 555 of the Capital Allowances Act (disposal of oil licence with exploitation value),
  - (b) ring fence losses that could be set off under section 393A against ring fence profits of earlier periods,
  - (c) ring fence losses incurred in earlier periods that fall to be set off under section 393 against profits of succeeding periods,
  - (d) unrelieved group ring fence profits.

## PART 2

### APPLICATION AND INTERPRETATION

#### Qualifying companies

- 2 This Schedule applies in relation to any company which—
- (a) carries on a ring fence trade, or
  - (b) is engaged in oil and gas exploration and appraisal (see section 837B) with a view to carrying on a ring fence trade,
- and in this Schedule any such company is referred to as a “qualifying company”.

#### Accounting periods

- 3 (1) In this Schedule, in the case of any qualifying company,—
- “the commencement period” means the accounting period in which the company sets up and commences its ring fence trade;



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“post-commencement period” means any accounting period ending on or after 1st January 2004—

- (a) which is the commencement period, or
- (b) which ends after the commencement period;

“pre-commencement period” means any accounting period ending—

- (a) on or after 1st January 2004, and
- (b) before the commencement period.

- (2) For the purposes of this Schedule a company not within the charge to corporation tax which incurs qualifying E&A expenditure is to be treated as having such accounting periods as it would have if—
  - (a) it carried on a trade consisting of the activities in respect of which the expenditure is incurred, and
  - (b) it had started to carry on that trade when it started to carry on the research and development on which the expenditure is incurred.

#### **The relevant percentage**

- 4 (1) For the purposes of this Schedule, the relevant percentage for any accounting period ending on or after 1st January 2004 is 6%.
- (2) The Treasury may by order vary the percentage for the time being specified in subparagraph (1) for such accounting periods as may be specified in the order.

#### **Limit on number of accounting periods for which supplement may be claimed**

- 5 (1) A company may claim supplement under this Schedule in respect of no more than 6 accounting periods.
- (2) The accounting periods in respect of which claims are made need not be consecutive.

#### **Qualifying E&A expenditure**

- 6 (1) For the purposes of this Schedule “qualifying E&A expenditure” is any expenditure as respects which the following conditions are satisfied.
- (2) Condition 1 is that the expenditure is incurred on or after 1st January 2004.
- (3) Condition 2 is that, for the purposes of Part 6 of the Capital Allowances Act, the expenditure is qualifying expenditure incurred on research and development consisting of oil and gas exploration and appraisal (see section 437(2)(b) of that Act).
- (4) Condition 3 is that an allowance under section 441 of that Act is claimed in respect of the expenditure.
- (5) Condition 4 is that the expenditure is incurred in the course of oil extraction activities.
- (6) Condition 5 is that—
  - (a) those oil extraction activities are comprised in a ring fence trade, or
  - (b) after incurring the expenditure, the person incurring it sets up and commences a ring fence trade connected with the research and development.

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### **Unrelieved group ring fence profits for accounting periods**

- 7 (1) There is an amount of unrelieved group ring fence profits for an accounting period of a qualifying company (“company Q”) in any case where—
- (a) the company and any other company (“company X”) are members of the same group of companies, within the meaning given by section 413(3)(a), and
  - (b) company X has an amount of taxable ring fence profits (see paragraph 8) for a corresponding accounting period.
- (2) An accounting period of company X corresponds to an accounting period of company Q if—
- (a) it coincides with, or falls wholly within, the accounting period of company Q, or
  - (b) it falls partly within the accounting period of company Q.
- (3) Where an accounting period of company X—
- (a) coincides with an accounting period of company Q, or
  - (b) falls wholly within an accounting period of company Q,
- there is, for the accounting period of company Q, an amount of unrelieved group ring fence profits equal to the whole of company X’s taxable ring fence profits for its accounting period.
- (4) Where an accounting period of company X falls partly within an accounting period of company Q—
- (a) there is an amount of unrelieved group ring fence profits for the accounting period of company Q, and
  - (b) that amount is an amount equal to the part of company X’s taxable ring fence profits for its accounting period that is attributable, on an apportionment in accordance with section 834(4), to the part of that period which falls within the accounting period of company Q.
- (5) This paragraph applies for the purposes of this Schedule.

### **Taxable ring fence profits of an accounting period**

- 8 For the purposes of this Schedule, a company has taxable ring fence profits for an accounting period if it has an amount of ring fence profits which is chargeable to corporation tax for that accounting period after any group relief claimed under Chapter 4 of Part 10.

## **PART 3**

### **PRE-COMMENCEMENT SUPPLEMENT**

#### **Supplement in respect of a pre-commencement accounting period**

- 9 (1) Where—
- (a) a qualifying company claims an allowance under section 441 of the Capital Allowances Act (research and development allowances) for the commencement period, and
  - (b) the claim is for an allowance in respect of qualifying E&A expenditure incurred before that period,

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the company may also claim supplement under this Part of this Schedule (“pre-commencement supplement”) in respect of one or more pre-commencement periods.

- (2) Any pre-commencement supplement allowed on a claim in respect of a pre-commencement period shall be treated as an allowance under Part 6 of the Capital Allowances Act for the commencement period in respect of qualifying E&A expenditure incurred by the company.
- (3) The amount of the supplement for any pre-commencement period in respect of which a claim under this paragraph is made is the relevant percentage for that period of the reference amount for that period.
- (4) If the pre-commencement period is a period of less than twelve months, the amount of the supplement for the period (apart from this sub-paragraph) shall be reduced proportionally.
- (5) Paragraphs 10 to 13 have effect for the purpose of determining the reference amount for a pre-commencement period.

#### **The mixed pool of qualifying E&A expenditure and supplement previously allowed**

- 10 (1) For the purpose of determining the amount of any pre-commencement supplement, a qualifying company shall be taken to have had, at all times in the pre-commencement periods of the company, a continuing mixed pool of qualifying E&A expenditure and pre-commencement supplement.
- (2) The pool shall be taken to have consisted of—
  - (a) the company’s qualifying E&A expenditure, allocated to the pool for each pre-commencement period in accordance with sub-paragraph (3), and
  - (b) the company’s pre-commencement supplement, allocated to the pool for each pre-commencement period in accordance with sub-paragraph (4).
- (3) To allocate qualifying E&A expenditure to the pool for any pre-commencement period, take the following steps—
  - (a) *Step 1:* count as eligible expenditure for that period so much of the qualifying E&A expenditure mentioned in paragraph 9(1)(b) as was incurred in that period,
  - (b) *Step 2:* find the total of all the eligible expenditure for that period (amount E),
  - (c) *Step 3:* if paragraph 11 applies, reduce amount E in accordance with that paragraph,
  - (d) *Step 4:* if paragraph 12 applies, reduce (or, as the case may be, further reduce) amount E in accordance with that paragraph,and so much of amount E as remains after making those reductions shall be taken to have been added to the pool in that period.
- (4) If any pre-commencement supplement is allowed on a claim in respect of a pre-commencement period, the amount of that supplement shall be taken to have been added to the pool in that period.

#### **Treatment of disposal value on disposal of oil licence with exploitation value**

- 11 (1) This paragraph applies in any case where—

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- (a) the qualifying company disposes of an interest in an oil licence in a pre-commencement period,
  - (b) part of the value of the interest (the “deductible amount”) is attributable to qualifying E&A expenditure incurred by the company, and
  - (c) section 555 of the Capital Allowances Act (disposal of oil licence with exploitation value) has effect in relation to the disposal.
- (2) For the purpose of allocating qualifying E&A expenditure to the pool for each pre-commencement period—
- (a) find the total of the deductible amounts in the case of all such disposals made by the company (amount D), and
  - (b) taking later periods before earlier periods, reduce (but not below nil) amount E for any pre-commencement period by setting against it so much of amount D as does not fall to be set against amount E for a later pre-commencement period.
- (3) In this paragraph “oil licence” has the same meaning as in section 555 of the Capital Allowances Act (see section 552 (1) of that Act).

#### **Reduction in respect of unrelieved group ring fence profits**

- 12 (1) This paragraph applies if there is an amount of unrelieved group ring fence profits for a pre-commencement period.
- (2) For the purpose of allocating qualifying E&A expenditure to the pool for that period—
- (a) find so much (if any) of amount E for that period as remains after any reduction falling to be made under paragraph 11, and
  - (b) reduce that amount (but not below nil) by setting against it a sum equal to the aggregate of the amounts of unrelieved group ring fence profits for the period.

#### **The reference amount for a pre-commencement period**

- 13 For the purposes of this Part of this Schedule, the reference amount for a pre-commencement period is the amount in the pool at the end of the period—
- (a) after the addition to the pool of any qualifying E&A expenditure allocated to the pool for that period in accordance with paragraph 10(3), but
  - (b) before determining, and adding to the pool, the amount of any pre-commencement supplement claimed in respect of the period.

#### **Claims for pre-commencement supplement**

- 14 (1) Any claim for pre-commencement supplement in respect of a pre-commencement period must be made at the same time as, and as if it were part of, the claim under section 441 of the Capital Allowances Act mentioned in paragraph 9(1)(a).
- (2) Subsection (3) of that section (claim for reduced amount) applies in relation to any such claim.

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## PART 4

### POST-COMMENCEMENT SUPPLEMENT

#### Supplement in respect of a post-commencement period

- 15 (1) A qualifying company which incurs a qualifying E&A loss (see paragraph 17) in a post-commencement period may claim supplement under this Part of this Schedule (“post-commencement supplement”) in respect of—
- (a) that period, or
  - (b) any subsequent accounting period in which it carries on its ring fence trade.
- (2) Any post-commencement supplement allowed on a claim in respect of a post-commencement period shall be treated for the purposes of the Corporation Tax Acts (other than this Part of this Schedule) as if it were a loss—
- (a) incurred in carrying on the ring fence trade in that period,
  - (b) which falls in whole to be set off under section 393 against trading income from the ring fence trade in succeeding accounting periods.
- (3) Paragraph 74 of Schedule 18 to the Finance Act 1998 (company tax returns etc: time limit for claims for group relief) shall apply in relation to a claim for post-commencement supplement as it applies in relation to a claim for group relief.

#### Amount of post-commencement supplement for a post-commencement period

- 16 (1) The amount of the post-commencement supplement for any post-commencement period in respect of which a claim under paragraph 15 is made is the relevant percentage for that period of the reference amount for that period.
- (2) If the post-commencement period is a period of less than twelve months, the amount of the supplement for the period (apart from this sub-paragraph) shall be reduced proportionally.
- (3) Paragraphs 19 to 24 have effect for the purpose of determining the reference amount for a post-commencement period.

#### Ring fence losses and qualifying E&A losses

- 17 (1) Where—
- (a) in any post-commencement period (“the period of the loss”) a qualifying company carrying on a ring fence trade incurs a loss in the trade, and
  - (b) some or all of the loss falls to be set off under section 393 against trading income from the trade in succeeding accounting periods,
- so much of the loss as falls to be so set off is a “ring fence loss” of the company.
- (2) In determining for the purposes of this Part of this Schedule how much of a loss incurred in a ring fence trade falls to be set off as mentioned in sub-paragraph (1)(b), it shall be assumed that every claim is made that could be made by the company under section 393A to set losses incurred in the ring fence trade against ring fence profits of earlier post-commencement periods.
- (3) So much of a ring fence loss as is attributable to qualifying E&A allowances for the period of the loss is a “qualifying E&A loss”.

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- (4) A ring fence loss is attributable to qualifying E&A allowances to the extent that the amount of the ring fence loss does not exceed the amount of the qualifying E&A allowances for the period of the loss.
- (5) But a claim for post-commencement supplement may include an election for a ring fence loss to be treated—
  - (a) as attributable to qualifying E&A allowances for the period of the loss to such lesser extent as may be specified in the election, or
  - (b) as not attributable to such allowances.
- (6) “Qualifying E&A allowances”, in the case of an accounting period, means allowances for that period under Part 6 of the Capital Allowances Act in respect of qualifying E&A expenditure incurred by the company (including any pre-commencement supplement treated under paragraph 9(2) as such an allowance).
- (7) This paragraph has effect for the purposes of this Part of this Schedule.

#### **Ring fence losses and non-qualifying losses**

- 18 (1) So much of a ring fence loss as is not a qualifying E&A loss is a non-qualifying loss.
- (2) Where—
- (a) a loss was incurred by a qualifying company in its ring fence trade in an accounting period ending on or before 31st December 2003, and
  - (b) some or all of that loss falls to be set off under section 393 against profits of that trade in accounting periods ending on or after that date,
- so much of the loss as falls to be so set off is a ring fence loss and that loss is a non-qualifying loss.
- (3) This paragraph has effect for the purposes of this Part of this Schedule.

#### **The pool of qualifying E&A losses and the pool of non-qualifying losses**

- 19 (1) For the purpose of determining the amount of any post-commencement supplement, a qualifying company shall be taken at all times in its post-commencement periods to have—
- (a) a continuing pool of the company’s non-qualifying losses (the “non-qualifying pool”), and
  - (b) a continuing mixed pool of the company’s qualifying E&A losses and post-commencement supplement (the “qualifying pool”).
- (2) A pool continues even if the amount in it is nil.

#### **The non-qualifying pool**

- 20 (1) The non-qualifying pool consists of the company’s non-qualifying losses, allocated to the pool in accordance with sub-paragraph (2).
- (2) A non-qualifying loss is allocated to the pool by adding the amount of the non-qualifying loss to the pool in the period of the loss.
- (3) In the case of a non-qualifying loss incurred in an accounting period ending on or before 31st December 2003, the period of the loss shall be taken for the purposes of sub-

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paragraph (2) to be the first accounting period of the company that ends on or after 1st January 2004.

- (4) The amount in the non-qualifying pool is subject to reductions in accordance with the following provisions of this Part of this Schedule.
- (5) Where a reduction in the amount in the non-qualifying pool falls to be made in any accounting period—
  - (a) the reduction is to be made after the addition to the pool of any non-qualifying loss allocated to the pool in that period in accordance with sub-paragraph (2), and
  - (b) references to the amount in the non-qualifying pool shall be construed accordingly.

### **The qualifying pool**

- 21 (1) The qualifying pool consists of—
  - (a) the company's qualifying E&A losses, allocated to the pool in accordance with sub-paragraph (2)(a), and
  - (b) the company's post-commencement supplement, allocated to the pool in accordance with sub-paragraph (2)(b).
- (2) The allocation of qualifying E&A losses and post-commencement supplement to the pool is as follows—
  - (a) the amount of a qualifying E&A loss is added to the pool in the period of the loss, and
  - (b) if any post-commencement supplement is allowed on a claim in respect of a post-commencement period, the amount of that supplement is added to the pool in that period.
- (3) The amount in the qualifying pool is subject to reductions in accordance with the following provisions of this Part of this Schedule.
- (4) Where a reduction in the amount in the qualifying pool falls to be made in any accounting period, the reduction is to be made—
  - (a) after the addition to the pool of the amount of any qualifying E&A losses allocated to the pool in that period in accordance with sub-paragraph (2)(a), but
  - (b) before determining, and adding to the pool, the amount of any supplement claimed in respect of the period,and references to the amount in the pool shall be construed accordingly.

### **Reductions in respect of utilised ring fence losses**

- 22 (1) If one or more ring fence losses are set off under section 393 against any profits of a post-commencement period, reductions shall be made in that period in accordance with this paragraph.
- (2) The amount in the non-qualifying pool shall be reduced (but not below nil) by setting against it a sum equal to the total amount so set off.
- (3) If any of that sum remains after being so set against the amount in the non-qualifying pool, the amount in the qualifying pool shall be reduced (but not below nil) by setting against it so much of that sum as so remains.

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### **Reductions in respect of unrelieved group ring fence profits**

- 23 (1) If there is an amount of unrelieved group ring fence profits for a post-commencement period, reductions shall be made in that period in accordance with this paragraph.
- (2) In the following provisions of this paragraph, references to the remaining amount in a pool are references to so much (if any) of the amount in the pool as remains after making any reductions that fall to be made in accordance with paragraph 22.
- (3) The remaining amount in the non-qualifying pool shall be reduced (but not below nil) by setting against it a sum equal to the aggregate of the amounts of unrelieved group ring fence profits for the period.
- (4) If any of that sum remains after being so set against the remaining amount in the non-qualifying pool, the remaining amount in the qualifying pool shall be reduced (but not below nil) by setting against it so much of that sum as so remains.

### **The reference amount for a post-commencement period**

- 24 For the purposes of this Part of this Schedule the reference amount for a post-commencement period is so much of the amount in the qualifying pool as remains after making any reductions required by paragraph 22 or 23.”.

## SCHEDULE 39

Section 296

### STAMP DUTY LAND TAX AND STAMP DUTY

#### **PART 1**

#### AMENDMENTS TO PART 4 OF THE FINANCE ACT 2003: GENERAL

##### *Introduction*

- 1 Part 4 of the Finance Act 2003 (c. 14) (stamp duty land tax) is amended in accordance with this Part of this Schedule.

##### *Variation of lease*

- 2 In section 43 (land transactions)—
- (a) in paragraph (c) of subsection (3) (variation of chargeable interest), after “interest” insert “(other than a lease)”;
- (b) after that paragraph insert—
- “(d) the variation of a lease is an acquisition and disposal of a chargeable interest only where it takes effect, or is treated for the purposes of this Part, as the grant of a new lease.”.

##### *Agreement for lease*

- 3 In section 44 (contract and conveyance), after subsection (9) insert—
- “(9A) Where—



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- (a) paragraph 12A of Schedule 17A applies (agreement for lease), or
  - (b) paragraph 19(3) to (6) of Schedule 17A applies (missives of let etc in Scotland),
- it applies in place of subsections (4), (8) and (9).”.

*Contract providing for conveyance to third party*

- 4 (1) After section 44 insert—

**“44A Contract providing for conveyance to third party**

- (1) This section applies where a contract is entered into under which a chargeable interest is to be conveyed by one party to the contract (A) at the direction or request of the other (B)—
  - (a) to a person (C) who is not a party to the contract, or
  - (b) either to such a person or to B.
- (2) B is not regarded as entering into a land transaction by reason of entering into the contract, but the following provisions have effect.
- (3) If the contract is substantially performed B is treated for the purposes of this Part as acquiring a chargeable interest, and accordingly as entering into a land transaction.

The effective date of the transaction is when the contract is substantially performed.

- (4) Where the contract is (to any extent) afterwards rescinded or annulled, or is for any other reason not carried into effect, the tax paid by virtue of subsection (3) shall (to that extent) be repaid by the Inland Revenue.

Repayment must be claimed by amendment of the land transaction return made in respect of the contract.

- (5) Subject to subsection (6), section 44 (contract and conveyance) does not apply (except so far as it defines “substantial performance”) in relation to the contract.

- (6) Where—
  - (a) this section applies by virtue of subsection (1)(b), and
  - (b) by reason of B’s direction or request, A becomes obliged to convey a chargeable interest to B,

section 44 applies to that obligation as it applies to a contract for a land transaction that is to be completed by a conveyance.

- (7) Section 44 applies in relation to any contract between B and C, in respect of the chargeable interest referred to in subsection (1) above, that is to be completed by a conveyance.

References to completion in that section, as it so applies, include references to conveyance by A to C of the subject matter of the contract between B and C.

- (8) In this section “contract” includes any agreement and “conveyance” includes any instrument.”.

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- (2) In section 48 (chargeable interests), after subsection (6) insert—
- “(7) This section has effect subject to subsection (3) of section 44A (contract and conveyance to third party).”.
- (3) In section 77 (notifiable transactions), after subsection (4) insert—
- “(5) A land transaction that a person is treated as entering into by virtue of subsection (3) of section 44A (contract and conveyance to third party) is notifiable.”.
- Contract and conveyance: effect of transfer of rights*
- 5 (1) Section 45 (contract and conveyance: effect of transfer of rights) is amended as follows.
- (2) In subsection (1)—
- (a) after paragraph (b) insert “, and
- (c) paragraph 12B of Schedule 17A (assignment of agreement for lease) does not apply.”;
- (b) at the end insert “, and references to the transferor and the transferee shall be read accordingly ”.
- (3) For subsection (5) substitute—
- “(5) Where a transfer of rights relates to part only of the subject-matter of the original contract (“the relevant part”)—
- (a) subsection (8)(b) of section 44 (restriction of charge to tax on subsequent conveyance) has effect as if the reference to the amount of tax chargeable on that contract were a reference to an appropriate proportion of that amount, and
- (b) a reference in the second sentence of subsection (3) above to the original contract, or a reference in subsection (4) above to the secondary contract arising from an earlier transfer of rights, is to that contract so far as relating to the relevant part (and that contract so far as not relating to the relevant part shall be treated as a separate contract).”.
- (4) After that subsection insert—
- “(5A) In relation to a land transaction treated as taking place by virtue of subsection (3)—
- (a) references in Schedule 7 (group relief) to the vendor shall be read as references to the vendor under the original contract;
- (b) other references in this Part to the vendor shall be read, where the context permits, as referring to either the vendor under the original contract or the transferor.”.
- (5) After section 45 insert—
- “45A Contract providing for conveyance to third party: effect of transfer of rights**
- (1) This section applies where—

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- (a) a contract (“the original contract”) is entered into under which a chargeable interest is to be conveyed by one party to the contract (A) at the direction or request of the other (B)—
  - (i) to a person (C) who is not a party to the contract, or
  - (ii) either to such a person or to B,and
- (b) there is an assignment or other transaction (relating to the whole or part of the subject-matter of the original contract) as a result of which a person (D) becomes entitled to exercise any of B’s rights under the original contract in place of B.

References in the following provisions of this section to a transfer of rights are to any such assignment or other transaction.

- (2) D is not regarded as entering into a land transaction by reason of the transfer of rights, but section 44A (contract providing for conveyance to third party) has effect in accordance with the following provisions of this section.
- (3) That section applies as if—
  - (a) D had entered into a contract (a “secondary contract”) in the same terms as the original contract except with D as a party instead of B, and
  - (b) the consideration due from D under the secondary contract were—
    - (i) so much of the consideration under the original contract as is referable to the subject-matter of the transfer of rights and is to be given (directly or indirectly) by D or a person connected with him, and
    - (ii) the consideration given for the transfer of rights.
- (4) The substantial performance of the original contract shall be disregarded if—
  - (a) it occurs at the same time as, and in connection with, the substantial performance of the secondary contract, or
  - (b) it occurs after the transfer of rights.
- (5) Where there are successive transfers of rights, subsection (3) has effect in relation to each of them.
- (6) The substantial performance of the secondary contract arising from an earlier transfer of rights shall be disregarded if—
  - (a) it occurs at the same time as, and in connection with, the substantial performance of the secondary contract arising from a subsequent transfer of rights, or
  - (b) it occurs after that subsequent transfer.
- (7) Where a transfer of rights relates to only part of the subject matter of the original contract, or to only some of the rights under that contract—
  - (a) a reference in subsection (3)(a) or (4) to the original contract, or a reference in subsection (6) to the secondary contract arising from an earlier transfer, is to that contract so far as relating to that part or those rights, and
  - (b) that contract so far as not relating to that part or those rights shall be treated as a separate contract.

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- (8) The effective date of a land transaction treated as entered into by virtue of subsection (3) is not earlier than the date of the transfer of rights.
- (9) In relation to a such a transaction—
- (a) references in Schedule 7 (group relief) to the vendor shall be read as references to A;
  - (b) other references in this Part to the vendor shall be read, where the context permits, as referring to either A or B.
- (10) Section 839 of the Taxes Act 1988 (connected persons) applies for the purposes of subsection (3)(b).
- (11) In this section “contract” includes any agreement.”.
- (6) In section 122 (index of defined expressions), in the entry for “vendor” insert at the end “ (see too sections 45(5A) and 45A(9)) ”.

*Relief for sale and leaseback arrangements*

- <sup>6</sup> [F1713(1) Section 57A (sale and leaseback arrangements) (inserted by the Stamp Duty and Stamp Duty Land Tax (Variation of the Finance Act 2003) (No. 2) Regulations 2003 (S.I. 2003/2816)) is amended as follows.
- (2) In subsection (3) (the qualifying conditions), for paragraph (b) substitute—
- “(aa) that the sale transaction is entered into wholly or partly in consideration of the leaseback transaction being entered into,
  - (b) that the only other consideration (if any) for the sale is the payment of money or the assumption, satisfaction or release of a debt (or both),”.
- (3) After paragraph (c) of that subsection insert—
- “(d) that the sale is not a transfer of rights within the meaning of section 45 (contract and conveyance: effect of transfer of rights) or 45A (contract providing for conveyance to third party: effect of transfer of rights), and
  - (e) where A and B are both bodies corporate at the effective date of the leaseback transaction, that they are not members of the same group for the purposes of group relief (see paragraph 1 of Schedule 7) at that date.”.
- (4) Omit subsection (4) (chargeable consideration for sale taken to be not less than market value).]

**Textual Amendments**

F1713 Sch. 39 para. 6 repealed (with effect in accordance with Sch. 39 para. 26 of the repealing Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 42 Pt. 4\(2\)](#)

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### *Registration of land transactions*

- 7 In section 79 (registration of land transactions etc), in subsection (2) (transactions to which section does not apply), for the words from “other than” to the end of paragraph (b) substitute “other than a transaction treated as taking place—
- (a) under subsection (4) of section 44 (contract and conveyance) or under that section as it applies by virtue of section 45 (contract and conveyance: effect of transfer of rights), or
  - (b) under subsection (3) of section 44A (contract providing for conveyance to third party) or under that section as it applies by virtue of section 45A (contract providing for conveyance to third party: effect of transfer of rights).”.

### *“Effective date” of a transaction*

- 8 In section 119 (meaning of “effective date” of a transaction), in subsection (2) (cases where effective date is not date of completion)—
- (a) after the entry for section 44(4) insert— “ section 44A(3) (contract providing for conveyance to third party), section 45A(8) (contract providing for conveyance to third party: effect of transfer of rights), ”;
  - (b) at the end insert— “ paragraph 12A(2) of Schedule 17A (agreement for lease followed by substantial performance), paragraph 12B(3) of that Schedule (assignment of agreement for lease occurring after agreement substantially performed), and paragraph 19(3) of that Schedule (missives of let etc in Scotland followed by substantial performance). ”.

### *Chargeable consideration*

- 9 (1) Schedule 4 (chargeable consideration) is amended as follows.
- (2) In paragraph 10 (carrying out of works), after sub-paragraph (2) insert—
- “(2A) Where subsection (8) of section 44 (contract and conveyance) applies, so that there are two notifiable transactions (the first being the contract and the second being the transaction effected on completion), the condition in sub-paragraph (2)(a) is treated as met in relation to the second transaction if it is met in relation to the first.”.
- (3) In paragraph 17 (arrangements involving public or educational bodies) (inserted by the Stamp Duty Land Tax (Amendment of Schedule 4 to the Finance Act 2003) Regulations 2003 (S.I. 2003/3293)), after sub-paragraph (4) insert—
- “(4A) Sub-paragraphs (3) and (4) shall be disregarded for the purposes of determining whether the land transaction in question is notifiable.”.

### *Provisions relating to leases*

- 10 In Schedule 5 (amount of tax chargeable: rent), after paragraph 1 insert—

#### *“Amounts payable in respect of periods before grant of lease*

- 1A For the purposes of this Part “rent” does not include any chargeable consideration for the grant of a lease that is payable in respect of a period before the grant of the lease.”

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*Provisions relating to leases*

<sup>11</sup> [F1714] (1) Schedule 17A (further provisions relating to leases) (inserted by the Stamp Duty and Stamp Duty Land Tax (Variation of the Finance Act 2003) (No. 2) Regulations 2003 (S.I. 2003/2816)) is amended as follows.

(2) After paragraph 7 insert—

*“First rent review in final quarter of fifth year*

7A Where—

- (a) a lease contains provision under which the rent may be adjusted,
- (b) under that provision the first (or only) such adjustment—
  - (i) is to an amount that (before the adjustment) is uncertain, and
  - (ii) has effect from a date (the “review date”) that is expressed as falling five years after a specified date,
- and
- (c) the specified date falls within the three months before the beginning of the term of the lease,

this Schedule has effect as if references to the first five years of the term of the lease were to the period beginning with the start of the term of the lease and ending with the review date.

References to the fifth year of the term of the lease shall be read accordingly.”.

(3) In paragraph 9 (rent for overlap period in case of grant of further lease), in subparagraph (1), at the end of paragraph (b) insert

- (c) a person claiming relief against re-entry or forfeiture as under-lessee in relation to the original sub-lease (“the old lease”) is granted a lease (“the new lease”) in pursuance of an order of a court.”.

(4) After paragraph 12 insert—

*“Agreement for lease*

12A(1) This paragraph applies where in England and Wales or Northern Ireland—

- (a) an agreement for a lease is entered into, and
- (b) the agreement is substantially performed without having been completed.

(2) The agreement is treated as if it were the grant of a lease in accordance with the agreement (“the notional lease”), beginning with the date of substantial performance.

The effective date of the transaction is that date.

(3) Where a lease is subsequently granted in pursuance of the agreement—

- (a) the notional lease is treated as if it were surrendered at that time, and
- (b) the lease itself is treated for the purposes of paragraph 9 (rent for overlap period in case of grant of further lease) as if it were granted in consideration of that surrender.

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- (4) Where sub-paragraph (1) applies and the agreement is (to any extent) afterwards rescinded or annulled, or is for any other reason not carried into effect, the tax paid by virtue of that sub-paragraph shall (to that extent) be repaid by the Inland Revenue.

Repayment must be claimed by amendment of the land transaction return made in respect of the agreement.

- (5) In this paragraph “substantially performed” and “completed” have the same meanings as in section 44 (contract and conveyance).

*Assignment of agreement for lease*

- 12B (1) This paragraph applies, in place of section 45 (contract and conveyance: effect of transfer of rights), where in England and Wales or Northern Ireland a person assigns his interest as lessee under an agreement for a lease.

- (2) If the assignment occurs without the agreement having been substantially performed, section 44 (contract and conveyance) has effect as if—
- (a) the contract were with the assignee and not the assignor, and
  - (b) the consideration given by the assignee for entering into the contract included any consideration given by him for the assignment.

- (3) If the assignment occurs after the agreement has been substantially performed—
- (a) the assignment is a separate land transaction, and
  - (b) the effective date of that transaction is the date of the assignment.

- (4) Where there are successive assignments, this paragraph has effect in relation to each of them.”.

- (5) In paragraph 16 (surrender of existing lease in return for new lease), at the end insert — “ Paragraph 5 (exchanges) of Schedule 4 (chargeable consideration) does not apply in such a case. ”.

- (6) In paragraph 19 (provisions relating to leases in Scotland), for sub-paragraph (2) substitute—

“(2) Where in Scotland there is a lease constituted by concluded missives of let (“the first lease”) and at some later time a lease is executed (“the second lease”)—

- (a) the first lease is treated as if it were surrendered at that time, and
- (b) the second lease is treated for the purposes of paragraph 9 (rent for overlap period in case of grant of further lease) as if it were granted in consideration of that surrender.

- (3) Where in Scotland—

- (a) there are concluded missives of let that do not constitute a lease, and
- (b) the agreement represented by the missives of let is substantially performed without a lease having been executed,

the missives of let are treated as if they did constitute a lease (“the notional lease”).

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The effective date of the transaction is when the agreement is substantially performed.

- (4) Where sub-paragraph (3) applies and at some later time a lease is executed—
- (a) the notional lease is treated as if it were surrendered at that time, and
  - (b) the lease itself is treated for the purposes of paragraph 9 as if it were granted in consideration of that surrender.
- (5) References in sub-paragraphs (2) to (4) to the execution of a lease are to the execution of a lease that either—
- (a) is in conformity with the missives of let, or
  - (b) relates to substantially the same property and period as the missives of let.
- (6) Where sub-paragraph (3) applies and the agreement is (to any extent) afterwards rescinded or annulled, or is for any other reason not carried into effect, the tax paid by virtue of that sub-paragraph shall (to that extent) be repaid by the Inland Revenue.

Repayment must be claimed by amendment of the land transaction return made in respect of the agreement.”.]

#### Textual Amendments

**F1714**Sch. 39 para. 11 repealed (with effect in accordance with Sch. 39 para. 26 of the repealing Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 42 Pt. 4\(2\)](#)

#### *Transfer of rights after 10th July 2003 relating to earlier contract: applicability of SDLT regime*

- 12 In Schedule 19 (commencement and transitional provisions), in paragraph 3 (contract entered into before first relevant date), for paragraph (c) of sub-paragraph (3) substitute—
- “(c) if on or after that date there is an assignment, subsale or other transaction (relating to the whole or part of the subject-matter of the contract) as a result of which a person other than the purchaser under the contract becomes entitled to call for a conveyance to him.”.

#### *Commencement*

- 13 (1) Paragraph 4, and paragraphs 7 and 8 so far as relating to the section 44A inserted by that paragraph, apply in relation to any contract entered into after 17th March 2004.
- (2) Paragraph 5, and paragraphs 7 and 8 so far as relating to the section 45A inserted by that paragraph, apply in relation to any transfer of rights occurring after that date.
- (3) Subject to sub-paragraphs (4) and (5), the amendments made by the other provisions of this Part of this Schedule apply in relation to any transaction of which the effective date is after 17th March 2004.
- (4) Paragraph 12 does not apply in relation to a contract that was substantially performed before 17th March 2004.



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- (5) Paragraphs 6 and 11 (which contain amendments the effect of which is reproduced in Part 2 of this Schedule) do not apply in relation to any transaction of which the effective date is on or after the day on which this Act is passed.
- (6) In this paragraph—  
“effective date” and “substantially performed” have the same meaning as in Part 4 of the Finance Act 2003 (as amended by this Part of this Schedule);  
“transfer of rights” has the same meaning as in section 45 of that Act or, as the case may require, section 45A of that Act (inserted by paragraph 5(5)).

## PART 2

### RE-ENACTMENT, WITH CHANGES, OF AMENDMENTS MADE BY SECTION 109 REGULATIONS

#### *Introduction and revocation*

- 14 (1) This Part of this Schedule contains amendments to Parts 4 and 5 of the Finance Act 2003 (c. 14) (stamp duty land tax and stamp duty) corresponding, subject to certain changes, to those made by the Stamp Duty and Stamp Duty Land Tax (Variation of the Finance Act 2003) (No. 2) Regulations 2003 (S.I. 2003/2816) (made under section 109 of that Act).
- (2) Those regulations are revoked.

#### *Meaning of taking possession*

- 15 (1) Section 44 (contract and conveyance) is amended as follows.
- (2) In subsection (5)(a) (meaning of “substantial performance”: purchaser taking possession), after “the purchaser” insert “, or a person connected with the purchaser,”.
- (3) In subsection (6) (meaning of taking possession)—  
(a) for paragraph (a) substitute—  
“ (a) possession includes receipt of rents and profits or the right to receive them, and”; and  
(b) in paragraph (b), for “the purchaser takes possession” substitute “possession is taken”.
- (4) After subsection (10) add—  
“(11) Section 839 of the Taxes Act 1988 (connected persons) has effect for the purposes of this section.”.

#### *Relief for sale and leaseback arrangements*

- 16 After section 57 (disadvantaged areas relief) insert—

#### **“57A Sale and leaseback arrangements**

- (1) The leaseback element of a sale and leaseback arrangement is exempt from charge if the qualifying conditions specified below are met.

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- (2) A “sale and leaseback” arrangement means an arrangement under which—
- (a) A transfers or grants to B a major interest in land (the “sale”), and
  - (b) out of that interest B grants a lease to A (the “leaseback”).
- (3) The qualifying conditions are—
- (a) that the sale transaction is entered into wholly or partly in consideration of the leaseback transaction being entered into,
  - (b) that the only other consideration (if any) for the sale is the payment of money or the assumption, satisfaction or release of a debt (or both),
  - (c) that the sale is not a transfer of rights within the meaning of section 45 (contract and conveyance: effect of transfer of rights) or 45A (contract providing for conveyance to third party: effect of transfer of rights), and
  - (d) where A and B are both bodies corporate at the effective date of the leaseback transaction, that they are not members of the same group for the purposes of group relief (see paragraph 1 of Schedule 7) at that date.
- (4) In this section—
- “debt” means an obligation, whether certain or contingent, to pay a sum of money either immediately or at a future date; and
- “money” means money in sterling or another currency.”

*Relief for certain acquisitions of residential property*

- 17 (1) For sections 58 and 59 (relief for certain exchanges of residential property and relocation relief) substitute—

**“58A Relief for certain acquisitions of residential property**

Schedule 6A provides for relief in the case of certain acquisitions of residential property.”

- (2) After Schedule 6 insert—

“SCHEDULE  
6A

Section 58A

RELIEF FOR CERTAIN ACQUISITIONS OF RESIDENTIAL PROPERTY

**Acquisition by house-building company from individual acquiring new dwelling**

- 1 (1) Where a dwelling (“the old dwelling”) is acquired by a house-building company from an individual (whether alone or with other individuals), the acquisition is exempt from charge if the following conditions are met.
- (2) The conditions are—
- (a) that the individual (whether alone or with other individuals) acquires from the house-building company a new dwelling,
  - (b) that the individual—

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- (i) occupied the old dwelling as his only or main residence at some time in the period of two years ending with the date of its acquisition, and
  - (ii) intends to occupy the new dwelling as his only or main residence,
  - (c) that each acquisition is entered into in consideration of the other, and
  - (d) that the area of land acquired by the house-building company does not exceed the permitted area.
- (3) Where the conditions in sub-paragraph (2)(a) to (c) are met but the area of land acquired by the house-building company exceeds the permitted area, the chargeable consideration for the acquisition is taken to be the amount calculated by deducting the market value of the permitted area from the market value of the old dwelling.
- (4) A “house-building company” means a company that carries on the business of constructing or adapting buildings or parts of buildings for use as dwellings.

References in this paragraph to such a company include any company connected with it.

- (5) In this paragraph—
- (a) references to the acquisition of the new dwelling are to the acquisition, by way of grant or transfer, of a major interest in the dwelling;
  - (b) references to the acquisition of the old dwelling are to the acquisition, by way of transfer, of a major interest in the dwelling; and
  - (c) references to the market value of the old dwelling and of the permitted area are, respectively, to the market value of that major interest in the dwelling and of that interest so far as it relates to that area.

### **Acquisition by property trader from individual acquiring new dwelling**

- 2 (1) Where a dwelling (“the old dwelling”) is acquired by a property trader from an individual (whether alone or with other individuals), the acquisition is exempt from charge if the following conditions are met.
- (2) The conditions are—
- (a) that the acquisition is made in the course of a business that consists of or includes acquiring dwellings from individuals who acquire new dwellings from house-building companies,
  - (b) that the individual (whether alone or with other individuals) acquires a new dwelling from a house-building company,
  - (c) that the individual—
    - (i) occupied the old dwelling as his only or main residence at some time in the period of two years ending with the date of its acquisition, and
    - (ii) intends to occupy the new dwelling as his only or main residence,

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- (d) that the property trader does not intend—
  - (i) to spend more than the permitted amount on refurbishment of the old dwelling, or
  - (ii) to grant a lease or licence of the old dwelling, or
  - (iii) to permit any of its principals or employees (or any person connected with any of its principals or employees) to occupy the old dwelling, and
- (e) that the area of land acquired by the property trader does not exceed the permitted area.

Paragraph (d)(ii) does not apply to the grant of lease or licence to the individual for a period of no more than six months.

- (3) Where the conditions in sub-paragraph (2)(a) to (d) are met, but the area of land acquired by the property trader exceeds the permitted area, the chargeable consideration for the acquisition is taken to be the amount calculated by deducting the market value of the permitted area from the market value of the old dwelling.
- (4) The provisions of paragraph 1(4) (meaning of “house-building company” etc) also have effect for the purposes of this paragraph.
- (5) In this paragraph—
  - (a) references to the acquisition of a new dwelling are to the acquisition, by way of grant or transfer, of a major interest in the dwelling;
  - (b) references to the acquisition of the old dwelling are to the acquisition, by way of transfer, of a major interest in the dwelling; and
  - (c) references to the market value of the old dwelling and of the permitted area are, respectively, to the market value of that major interest in the dwelling and of that interest so far as it relates to that area.

### **Acquisition by property trader from personal representatives**

- 3 (1) Where a dwelling is acquired by a property trader from the personal representatives of a deceased individual, the acquisition is exempt from charge if the following conditions are met.
- (2) The conditions are—
  - (a) that the acquisition is made in the course of a business that consists of or includes acquiring dwellings from personal representatives of deceased individuals,
  - (b) that the deceased individual occupied the dwelling as his only or main residence at some time in the period of two years ending with the date of his death,
  - (c) that the property trader does not intend—
    - (i) to spend more than the permitted amount on refurbishment of the dwelling, or
    - (ii) to grant a lease or licence of the dwelling, or

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- (iii) to permit any of its principals or employees (or any person connected with any of its principals or employees) to occupy the dwelling, and
  - (d) that the area of land acquired does not exceed the permitted area.
- (3) Where the conditions in sub-paragraph (2)(a) to (c) are met, but the area of land acquired exceeds the permitted area, the chargeable consideration for the acquisition is taken to be the amount calculated by deducting the market value of the permitted area from the market value of the dwelling.
- (4) In this paragraph—
  - (a) references to the acquisition of the dwelling are to the acquisition, by way of transfer, of a major interest in the dwelling; and
  - (b) references to the market value of the dwelling and of the permitted area are, respectively, to the market value of that major interest in the dwelling and of that interest so far as it relates to that area.

#### **Acquisition by property trader from individual where chain of transactions breaks down**

- 4 (1) Where a dwelling (“the old dwelling”) is acquired by a property trader from an individual (whether alone or with other individuals), the acquisition is exempt from charge if—
- (a) the individual has made arrangements to sell a dwelling (“the old dwelling”) and acquire another dwelling (“the second dwelling”),
  - (b) the arrangements to sell the old dwelling fail, and
  - (c) the acquisition of the old dwelling is made for the purpose of enabling the individual’s acquisition of the second dwelling to proceed,
- and the following conditions are met.
- (2) The conditions are—
- (a) that the acquisition is made in the course of a business that consists of or includes acquiring dwellings from individuals in those circumstances,
  - (b) that the individual—
    - (i) occupied the old dwelling as his only or main residence at some time in the period of two years ending with the date of its acquisition, and
    - (ii) intends to occupy the second dwelling as his only or main residence,
  - (c) that the property trader does not intend—
    - (i) to spend more than the permitted amount on refurbishment of the old dwelling, or
    - (ii) to grant a lease or licence of the old dwelling, or
    - (iii) to permit any of its principals or employees (or any person connected with any of its principals or employees) to occupy the old dwelling, and
  - (d) that the area of land acquired does not exceed the permitted area.

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Paragraph (c)(ii) does not apply to the grant of a lease or licence to the individual for a period of no more than six months.

- (3) Where the conditions in sub-paragraph (2)(a) to (c) are met, but the area of land acquired exceeds the permitted area, the chargeable consideration for the acquisition is taken to be the amount calculated by deducting the market value of the permitted area from the market value of the old dwelling.
- (4) In this paragraph—
- (a) references to the acquisition of the second dwelling are to the acquisition, by way of grant or transfer, of a major interest in the dwelling;
  - (b) references to the acquisition of the old dwelling are to the acquisition, by way of transfer, of a major interest in the dwelling; and
  - (c) references to the market value of the old dwelling and of the permitted area are, respectively, to the market value of that major interest in the dwelling and of that interest so far as it relates to that area.

#### **Acquisition by employer in case of relocation of employment**

- 5 (1) Where a dwelling is acquired from an individual (whether alone or with other individuals) by his employer, the acquisition is exempt from charge if the following conditions are met.
- (2) The conditions are—
- (a) that the individual occupied the dwelling as his only or main residence at some time in the period of two years ending with the date of the acquisition,
  - (b) that the acquisition is made in connection with a change of residence by the individual resulting from relocation of employment,
  - (c) that the consideration for the acquisition does not exceed the market value of the dwelling, and
  - (d) that the area of land acquired does not exceed the permitted area.
- (3) Where the conditions in sub-paragraph (2)(a) to (c) are met but the area of land acquired exceeds the permitted area, the chargeable consideration for the acquisition is taken to be the amount calculated by deducting the market value of the permitted area from the market value of the dwelling.
- (4) In this paragraph “relocation of employment” means a change of the individual’s place of employment due to—
- (a) his becoming an employee of the employer,
  - (b) an alteration of the duties of his employment with the employer, or
  - (c) an alteration of the place where he normally performs those duties.
- (5) For the purposes of this paragraph a change of residence is one “resulting from” relocation of employment if—
- (a) the change is made wholly or mainly to allow the individual to have his residence within a reasonable daily travelling distance of his new place of employment, and

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- (b) his former residence is not within a reasonable daily travelling distance of that place.

The individual's "new place of employment" means the place where he normally performs, or is normally to perform, the duties of his employment after the relocation.

- (6) In this paragraph—
  - (a) references to the acquisition of the dwelling are to the acquisition, by way of transfer, of a major interest in the dwelling;
  - (b) references to the market value of the dwelling and of the permitted area are, respectively, to the market value of that major interest in the dwelling and of that interest so far as it relates to that area; and
  - (c) references to an individual's employer include a prospective employer.

#### **Acquisition by property trader in case of relocation of employment**

- 6 (1) Where a dwelling is acquired by a property trader from an individual (whether alone or with other individuals), the acquisition is exempt from charge if the following conditions are met.
- (2) The conditions are—
  - (a) that the acquisition is made in the course of a business that consists of or includes acquiring dwellings from individuals in connection with a change of residence resulting from relocation of employment,
  - (b) that the individual occupied the dwelling as his only or main residence at some time in the period of two years ending with the date of the acquisition,
  - (c) that the acquisition is made in connection with a change of residence by the individual resulting from relocation of employment,
  - (d) that the consideration for the acquisition does not exceed the market value of the dwelling,
  - (e) that the property trader does not intend—
    - (i) to spend more than the permitted amount on refurbishment of the dwelling, or
    - (ii) to grant a lease or licence of the dwelling, or
    - (iii) to permit any of its principals or employees (or any person connected with any of its principals or employees) to occupy the dwelling, and
  - (f) that the area of land acquired does not exceed the permitted area.

Paragraph (e)(ii) does not apply to the grant of a lease or licence to the individual for a period of no more than six months.

- (3) Where the conditions in sub-paragraph (2)(a) to (e) are met but the area of land acquired exceeds the permitted area, the chargeable consideration for the acquisition is taken to be the amount calculated by deducting the market value of the permitted area from the market value of the dwelling.
- (4) In this paragraph "relocation of employment" means a change of the individual's place of employment due to—

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- (a) his becoming employed by a new employer,
  - (b) an alteration of the duties of his employment, or
  - (c) an alteration of the place where he normally performs those duties.
- (5) For the purposes of this paragraph a change of residence is one “resulting from” relocation of employment if—
- (a) the change is made wholly or mainly to allow the individual to have his residence within a reasonable daily travelling distance of his new place of employment, and
  - (b) his former residence is not within a reasonable daily travelling distance of that place.

An individual’s “new place of employment” means the place where he normally performs, or is normally to perform, the duties of his employment after the relocation.

- (6) In this paragraph—
- (a) references to the acquisition of the dwelling are to the acquisition, by way of transfer, of a major interest in the dwelling; and
  - (b) references to the market value of the dwelling and of the permitted area are, respectively, to the market value of that major interest in the dwelling and of that interest so far as it relates to that area.

#### **Meaning of “dwelling”, “new dwelling” and “the permitted area”**

- 7 (1) “Dwelling” includes land occupied and enjoyed with the dwelling as its garden or grounds.
- (2) A building or part of a building is a “new dwelling” if—
- (a) it has been constructed for use as a single dwelling and has not previously been occupied, or
  - (b) it has been adapted for use as a single dwelling and has not been occupied since its adaptation.
- (3) “The permitted area”, in relation to a dwelling, means land occupied and enjoyed with the dwelling as its garden or grounds that does not exceed—
- (a) an area (inclusive of the site of the dwelling) of 0.5 of a hectare, or
  - (b) such larger area as is required for the reasonable enjoyment of the dwelling as a dwelling having regard to its size and character.
- (4) Where sub-paragraph (3)(b) applies, the permitted area is taken to consist of that part of the land that would be the most suitable for occupation and enjoyment with the dwelling as its garden or grounds if the rest of the land were separately occupied.

#### **Meaning of “property trader” and “principal”**

- 8 (1) A “property trader” means—
- (a) a company,
  - (b) a limited liability partnership, or
  - (c) a partnership whose members are all either companies or limited liability partnerships,



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that carries on the business of buying and selling dwellings.

- (2) In relation to a property trader a “principal” means—
- (a) in the case of a company, a director;
  - (b) in the case of a limited liability partnership, a member;
  - (c) in the case of a partnership whose members are all either companies or limited liability partnerships, a member or a person who is a principal of a member.
- (3) For the purposes of this Schedule—
- (a) anything done by or in relation to a company connected with a property trader is treated as done by or in relation to that property trader, and
  - (b) references to the principals or employees of a property trader include the principals or employees of any such company.

#### **Meaning of “refurbishment” and “the permitted amount”**

- 9 (1) “Refurbishment” of a dwelling means the carrying out of works that enhance or are intended to enhance the value of the dwelling, but does not include—
- (a) cleaning the dwelling, or
  - (b) works required solely for the purpose of ensuring that the dwelling meets minimum safety standards.
- (2) The “permitted amount”, in relation to the refurbishment of a dwelling, is—
- (a) 10,000, or
  - (b) 5% of the consideration for the acquisition of the dwelling,
- whichever is the greater, but subject to a maximum of £20,000.

#### **Connected companies etc**

- 10 Section 839 of the Taxes Act 1988 (connected persons) has effect for the purposes of this Schedule.

#### **Withdrawal of relief under this Schedule**

- 11 (1) Relief under this Schedule is withdrawn in the following circumstances.
- (2) Relief under paragraph 2 (acquisition by property trader from individual acquiring new dwelling) is withdrawn if the property trader—
- (a) spends more than the permitted amount on refurbishment of the old dwelling, or
  - (b) grants a lease or licence of the old dwelling, or
  - (c) permits any of its principals or employees (or any person connected with any of its principals or employees) to occupy the old dwelling.

Paragraph (b) does not apply to the grant of lease or licence to the individual for a period of no more than six months.

- (3) Relief under paragraph 3 (acquisition by property trader from personal representatives) is withdrawn if the property trader—

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- (a) spends more than the permitted amount on refurbishment of the dwelling, or
  - (b) grants a lease or licence of the dwelling, or
  - (c) permits any of its principals or employees (or any person connected with any of its principals or employees) to occupy the dwelling.
- (4) Relief under paragraph 4 (acquisition by property trader from individual where chain of transactions breaks down) is withdrawn if the property trader—
- (a) spends more than the permitted amount on refurbishment of the old dwelling, or
  - (b) grants a lease or licence of the old dwelling, or
  - (c) permits any of its principals or employees (or any person connected with any of its principals or employees) to occupy the old dwelling.

Paragraph (b) does not apply to the grant of lease or licence to the individual for a period of no more than six months.

- (5) Relief under paragraph 6 (acquisition by property trader in case of relocation of employment) is withdrawn if the property trader—
- (a) spends more than the permitted amount on refurbishment of the dwelling, or
  - (b) grants a lease or licence of the dwelling, or
  - (c) permits any of its principals or employees (or any person connected with any of its principals or employees) to occupy the dwelling.

Paragraph (b) does not apply to the grant of lease or licence to the individual for a period of no more than six months.

- (6) Where relief is withdrawn the amount of tax chargeable is the amount that would have been chargeable in respect of the acquisition but for the relief.”.

- (3) In section 81 (further return where relief withdrawn)—
- (a) in subsection (1) (obligation to deliver a further return), before paragraph (a) insert—
    - “(za) paragraph 11 of Schedule 6A (relief for certain acquisitions of residential property),”; and
  - (b) in subsection (4) (meaning of disqualifying event), before paragraph (a) insert—
    - “(za) in relation to the withdrawal of relief under Schedule 6A, an event mentioned in paragraph (a), (b) or (c) of paragraph 11(2), (3), (4) or (5) of that Schedule;”.
- (4) In section 87 (interest on unpaid tax)—
- (a) in subsection (3)(a) (relevant date where relief is withdrawn), before subparagraph (i) insert—
    - “(ia) Schedule 6A (relief for certain acquisitions of residential property),”; and
  - (b) in subsection (4) (meaning of disqualifying event), before paragraph (a) insert—

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“(za) in relation to the withdrawal of relief under Schedule 6A an event mentioned in paragraph (a), (b) or (c) of paragraph 11(2), (3), (4) or (5) of that Schedule;”.

*Initial transfer of assets to trustees of unit trust scheme*

F1715<sup>18</sup> .....

**Textual Amendments**

**F1715**Sch. 39 para. 18 repealed (with effect in accordance with Sch. 26 Pt. 7(3) Note of the amending Act) by Finance Act 2006 (c. 25), **Sch. 26 Pt. 7(3)**

*Return or further return in consequence of later linked transaction*

19 (1) After section 81 (further return where relief withdrawn) insert—

**“81A Return or further return in consequence of later linked transaction**

(1) Where the effect of a transaction (“the later transaction”) that is linked to an earlier transaction is that the earlier transaction becomes notifiable, or that additional tax is payable in respect of the earlier transaction or that tax is payable in respect of the earlier transaction where none was payable before—

- (a) the purchaser under the earlier transaction must deliver a return or further return in respect of that transaction before the end of the period of 30 days after the effective date of the later transaction,
- (b) the return must include a self-assessment of the amount of tax chargeable as a result of the later transaction,
- (c) the tax so chargeable is to be calculated by reference to the rates in force at the effective date of the earlier transaction, and
- (d) the return must be accompanied by payment of the tax or additional tax payable.

(2) The provisions of Schedule 10 (returns, enquiries, assessments and other matters) apply to a return under this section as they apply to a return under section 76 (general requirement to deliver land transaction return), with the following adaptations—

- (a) in paragraph 5 (formal notice to deliver return), the requirement in sub-paragraph (2)(a) that the notice specify the transaction to which it relates shall be read as requiring both the earlier and later transactions to be specified;
- (b) references to the effective date of the transaction to which the return relates shall be read as references to the effective date of the later transaction.

(3) This section does not affect any requirement to make a return under section 76 in respect of the later transaction.”.

(2) In section 81(3) for “land transaction return” substitute “ return under section 76 (general requirement to deliver land transaction return) ”.

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(3) In section 87 (interest on unpaid tax), in subsection (3) (meaning of “the relevant date”), after paragraph (a) insert—

“(aa) in the case of an amount payable under section 81A in respect of an earlier transaction because of the effect of a later linked transaction, the effective date of the later transaction;”.

*Declaration by person authorised to act on behalf of purchaser*

20 After section 81A (inserted by paragraph 19 above) insert—

**“81B Declaration by person authorised to act on behalf of individual**

(1) This section applies to the declaration mentioned in paragraph 1(1)(c) of Schedule 10 or paragraph 2(1)(c) of Schedule 11 (declaration that return or self-certificate is correct and complete).

(2) The requirement that an individual make such a declaration (alone or jointly with others) is treated as met if a declaration to that effect is made by a person authorised to act on behalf of that individual in relation to the matters to which the return or certificate relates.

(3) For the purposes of this section a person is not regarded as authorised to act on behalf of an individual unless he is so authorised by a power of attorney in writing, signed by that individual.

In this subsection as it applies in Scotland “power of attorney” includes factory and commission.

(4) Nothing in this section affects the making of a declaration in accordance with—

- (a) section 100(2) (persons through whom a company acts), or
- (b) section 106 (1) or (2) (person authorised to act on behalf of incapacitated person or minor).”.

*Crown application*

21 (1) Section 107 (Crown application) is amended as follows.

(2) For subsection (1) (extent of Crown application) substitute—

“(1) This Part binds the Crown, subject to the following provisions of this section.”.

(3) After subsection (3) add—

“(4) Nothing in this section shall be read as making the Crown liable to prosecution for an offence.”.

*Further provision relating to leases*

22 (1) For section 120 (meaning of “lease” and other supplementary provisions) substitute—

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## “120 Further provisions relating to leases

Schedule 17A contains further provisions relating to leases.”.

(2) After Schedule 17 insert—

### “SCHEDULE 17A

Section 120

#### FURTHER PROVISIONS RELATING TO LEASES

##### Meaning of “lease”

- 1 In the application of this Part to England and Wales or Northern Ireland “lease” means—
- (a) an interest or right in or over land for a term of years (whether fixed or periodic), or
  - (b) a tenancy at will or other interest or right in or over land terminable by notice at any time.

##### Leases for a fixed term

- 2 In the application of the provisions of this Part to a lease for a fixed term, no account shall be taken of—
- (a) any contingency as a result of which the lease may determine before the end of the fixed term, or
  - (b) any right of either party to determine the lease or renew it.

##### Leases that continue after a fixed term

- 3 (1) This paragraph applies to—
- (a) a lease for a fixed term and thereafter until determined, or
  - (b) a lease for a fixed term that may continue beyond the fixed term by operation of law.
- (2) For the purposes of this Part (except section 77 (notifiable transactions)), a lease to which this paragraph applies is treated—
- (a) in the first instance as if it were a lease for the original fixed term and no longer,
  - (b) if the lease continues after the end of that term, as if it were a lease for a fixed term one year longer than the original fixed term,
  - (c) if the lease continues after the end of the term resulting from the application of paragraph (b), as if it were a lease for a fixed term two years longer than the original fixed term,
- and so on.
- (3) Where the effect of sub-paragraph (2) in relation to the continuation of the lease after the end of a fixed term is that additional tax is payable in respect of a transaction or that tax is payable in respect of a transaction where none was payable before—

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- (a) the purchaser must deliver a return or further return in respect of that transaction before the end of the period of 30 days after the end of that term,
  - (b) the return must include a self-assessment of the amount of tax chargeable in respect of the transaction on the basis of the information contained in the return,
  - (c) the tax so chargeable is to be calculated by reference to the rates in force at the effective date of the transaction, and
  - (d) the return must be accompanied by payment of the tax or additional tax payable.
- (4) The provisions of Schedule 10 (returns, enquiries, assessments and other matters) apply to a return under this paragraph as they apply to a return under section 76 (general requirement to deliver land transaction return), with the adaptation that references to the effective date of the transaction shall be read as references to the day on which the lease becomes treated as being for a longer fixed term.
- (5) For the purposes of section 77 (notifiable transactions) a lease to which this paragraph applies is a lease for whatever is its fixed term.

#### **Treatment of leases for indefinite term**

- 4 (1) For the purposes of this Part (except section 77 (notifiable transactions))—
- (a) a lease for an indefinite term is treated in the first instance as if it were a lease for a fixed term of a year,
  - (b) if the lease continues after the end of the term resulting from the application of paragraph (a), it is treated as if it were a lease for a fixed term of two years,
  - (c) if the lease continues after the end of the term resulting from the application of paragraph (b), it is treated as if it were a lease for a fixed term of three years,
- and so on.
- (2) No account shall be taken for the purposes of this Part of any other statutory provision in England and Wales or Northern Ireland deeming a lease for an indefinite period to be a lease for a different term.
- (3) Where the effect of sub-paragraph (1) in relation to the continuation of the lease after the end of a deemed fixed term is that additional tax is payable in respect of a transaction or that tax is payable in respect of a transaction where none was payable before—
- (a) the purchaser must deliver a return or further return in respect of that transaction before the end of the period of 30 days after the end of that term,
  - (b) the return must include a self-assessment of the amount of tax chargeable in respect of the transaction on the basis of the information contained in the return,
  - (c) the tax so chargeable is to be calculated by reference to the rates in force at the effective date of the transaction, and
  - (d) the return must be accompanied by payment of the tax or additional tax payable.

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- (4) The provisions of Schedule 10 (returns, enquiries, assessments and other matters) apply to a return under this paragraph as they apply to a return under section 76 (general requirement to deliver land transaction return), with the adaptation that references to the effective date of the transaction shall be read as references to the day on which the lease becomes treated as being for a longer fixed term.
- (4A) For the purposes of section 77 (notifiable transactions) a lease for an indefinite term is a lease for a term of less than seven years.
- (5) References in this paragraph to a lease for an indefinite period include—
  - (a) a periodic tenancy or other interest or right terminable by a period of notice,
  - (b) a tenancy at will in England and Wales or Northern Ireland, or
  - (c) any other interest or right terminable by notice at any time.

#### **Treatment of successive linked leases**

- 5 (1) This paragraph applies where—
  - (a) successive leases are granted or treated as granted (whether at the same time or at different times) of the same or substantially the same premises, and
  - (b) those grants are linked transactions.
- (2) This Part applies as if the series of leases were a single lease—
  - (a) granted at the time of the grant of the first lease in the series,
  - (b) for a term equal to the aggregate of the terms of all the leases, and
  - (c) in consideration of the rent payable under all of the leases.
- (3) The grant of later leases in the series is accordingly disregarded for the purposes of this Part except section 81A (return or further return in consequence of later linked transaction).

#### **Rent**

- 6 (1) For the purposes of this Part a single sum expressed to be payable in respect of rent, or expressed to be payable in respect of rent and other matters but not apportioned, shall be treated as entirely rent.
- (2) Sub-paragraph (1) is without prejudice to the application of paragraph 4 of Schedule 4 (chargeable consideration: just and reasonable apportionment) where separate sums are expressed to be payable in respect of rent and other matters.

#### **Variable or uncertain rent**

- 7 (1) This paragraph applies to determine the amount of rent payable under a lease where that amount—
  - (a) varies in accordance with provision in the lease, or
  - (b) is contingent, uncertain or unascertained.

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- (2) As regards rent payable in respect of any period before the end of the fifth year of the term of the lease—
- (a) the provisions of this Part apply as in relation to other chargeable consideration, and
  - (b) the provisions of section 51 (1) and (2) accordingly apply if the amount is contingent, uncertain or unascertained.
- (3) As regards rent payable in respect of any period after the end of the fifth year of the term of the lease, the annual amount is assumed for the purposes of this Part to be, in every case, equal to the highest amount of rent payable in respect of any consecutive twelve month period in the first five years of the term.
- In determining that amount take into account (if necessary) any amounts determined as mentioned in sub-paragraph (2)(b), but disregard paragraph 9(2) (deemed reduction of rent for overlap period in case of grant of further lease).
- (4) This paragraph has effect subject to paragraph 8 (adjustment where rent payable ceases to be uncertain).
- (5) No account shall be taken for the purposes of this Part of any provision for rent to be adjusted in line with the retail prices index.

*First rent review in final quarter of fifth year*

- 7A Where—
- (a) a lease contains provision under which the rent may be adjusted,
  - (b) under that provision the first (or only) such adjustment—
    - (i) is to an amount that (before the adjustment) is uncertain, and
    - (ii) has effect from a date (the “review date”) that is expressed as falling five years after a specified date,
- and
- (c) the specified date falls within the three months before the beginning of the term of the lease,
- this Schedule has effect as if references to the first five years of the term of the lease were to the period beginning with the start of the term of the lease and ending with the review date. References to the fifth year of the term of the lease shall be read accordingly.

*Adjustment where rent ceases to be uncertain*

- 8 (1) Where the provisions of section 51 (1) and (2) (contingent, uncertain or unascertained consideration) apply in relation to a transaction by virtue of paragraph 7 (uncertain rent) and—
- (a) the end of the fifth year of the term of the lease is reached, or
  - (b) the amount of rent payable in respect of the first five years of the term of the lease ceases to be uncertain at an earlier date,
- the following provisions have effect to require or permit reconsideration of how this Part applies to the transaction (and to any transaction in relation to which it is a linked transaction).



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- (2) For the purposes of this paragraph the amount of rent payable ceases to be uncertain when—
  - (a) in the case of contingent rent, the contingency occurs or it becomes clear that it will not occur, and
  - (b) in the case of uncertain or unascertained rent, the amount becomes ascertained.
- (3) If the result as regards the rent paid or payable in respect of the first five years of the term of the lease is that a transaction becomes notifiable, or that additional tax is payable in respect of a transaction or that tax is payable where none was payable before—
  - (a) the purchaser must make a return to the Inland Revenue within 30 days of the date referred to in sub-paragraph (1)(a) or (b),
  - (b) the return must contain a self-assessment of the tax chargeable in respect of the transaction on the basis of the information contained in the return,
  - (c) the tax so chargeable is to be calculated by reference to the rates in force at the effective date of the transaction, and
  - (d) the return must be accompanied by payment of any tax or additional tax payable.
- (4) The provisions of Schedule 10 (returns, enquiries, assessment and other matters) apply to a return under this paragraph as they apply to a return under section 76 (general requirement to make land transaction return), subject to the adaptation that references to the effective date of the transaction shall be read as references to the date referred to in sub-paragraph (1)(a) or (b).
- (5) If the result as regards the rent paid or payable in respect of the first five years of the term of the lease is that less tax is payable in respect of the transaction than has already been paid—
  - (a) the purchaser may, within the period allowed for amendment of the land transaction return, amend the return accordingly;
  - (b) after the end of that period he may (if the land transaction return is not so amended) make a claim to the Inland Revenue for repayment of the amount overpaid.

*Rent for overlap period in case of grant of further lease*

- 9 (1) This paragraph applies where—
  - (a) A surrenders an existing lease to B (“the old lease”) and in consideration of that surrender B grants a lease to A of the same or substantially the same premises (“the new lease”),
  - (b) the tenant under a lease (“the old lease”) of premises to which Part 2 of the Landlord and Tenant Act 1954 or the Business Tenancies (Northern Ireland) Order 1996 applies makes a request for a new tenancy (“the new lease”) which is duly executed,
  - (c) on termination of a lease (“the head lease”) a sub-tenant is granted a lease (“the new lease”) of the same or substantially the same premises as those comprised in his original lease (“the old lease”)—
    - (i) in pursuance of an order of a court on a claim for relief against re-entry or forfeiture, or

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(ii) in pursuance of a contractual entitlement arising in the event of the head lease being terminated,

or

(d) a person who has guaranteed the obligations of a lessee under a lease that has been terminated (“the old lease”) is granted a lease of the same or substantially the same premises (“the new lease”) in pursuance of the guarantee.

- (2) For the purposes of this Part the rent payable under the new lease in respect of any period falling within the overlap period is treated as reduced by the amount of the rent that would have been payable in respect of that period under the old lease.
- (3) The overlap period is the period between the date of grant of the new lease and what would have been the end of the term of the old lease had it not been terminated.
- (4) The rent that would have been payable under the old lease shall be taken to be the amount taken into account in determining the stamp duty land tax chargeable in respect of the acquisition of the old lease.
- (5) This paragraph does not have effect so as to require the rent payable under the new lease to be treated as a negative amount.

*Tenants' obligations etc that do not count as chargeable consideration*

- 10 (1) In the case of the grant of a lease none of the following counts as chargeable consideration—
- (a) any undertaking by the tenant to repair, maintain or insure the demised premises (in Scotland, the leased premises);
  - (b) any undertaking by the tenant to pay any amount in respect of services, repairs, maintenance or insurance or the landlord’s costs of management;
  - (c) any other obligation undertaken by the tenant that is not such as to affect the rent that a tenant would be prepared to pay in the open market;
  - (d) any guarantee of the payment of rent or the performance of any other obligation of the tenant under the lease;
  - (e) any penal rent, or increased rent in the nature of a penal rent, payable in respect of the breach of any obligation of the tenant under the lease.
- (2) Where sub-paragraph (1) applies in relation to an obligation, a payment made in discharge of the obligation does not count as chargeable consideration.
- (3) The release of any such obligation as is mentioned in sub-paragraph (1) does not count as chargeable consideration in relation to the surrender of the lease.

*Cases where assignment of lease treated as grant of lease*

- 11 (1) This paragraph applies where—
- (a) the grant of a lease is exempt from charge by virtue of any of the provisions specified in sub-paragraph (3), or

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- (b) a lease is granted to a person as bare trustee of the grantor, with the result that the lease is treated as vested in the grantor by virtue of paragraph 3 of Schedule 16.
- (2) The first assignment of the lease that is not exempt from charge by virtue of any of the provisions specified in sub-paragraph (3), and in relation to which the assignee does not acquire the lease as a bare trustee of the assignor, is treated for the purposes of this Part as if it were the grant of a lease by the assignor—
  - (a) for a term equal to the unexpired term of the lease referred to in sub-paragraph (1), and
  - (b) on the same terms as those on which the assignee holds that lease after the assignment.
- (3) The provisions are—
  - (a) section 57A (sale and leaseback arrangements);
  - (b) Part 1 or 2 of Schedule 7 (group relief or reconstruction or acquisition relief);
  - (c) section 66 (transfers involving public bodies);
  - (d) Schedule 8 (charities relief);
  - (e) any such regulations as are mentioned in section 123(3) (regulations reproducing in relation to stamp duty land tax the effect of enactments providing for exemption from stamp duty).
- (4) This paragraph does not apply where the relief in question is group relief, reconstruction or acquisition relief or charities relief and is withdrawn as a result of a disqualifying event occurring before the effective date of the assignment.
- (5) For the purposes of sub-paragraph (4) “disqualifying event” means—
  - (a) in relation to the withdrawal of group relief, the purchaser ceasing to be a member of the same group as the vendor (within the meaning of Part 1 of Schedule 7);
  - (b) in relation to the withdrawal of reconstruction or acquisition relief, the change of control of the acquiring company mentioned in paragraph 9(1)(a) of that Schedule or, as the case may be, the event mentioned in paragraph 11(1)(a) or (2)(a) of that Schedule;
  - (c) in relation to the withdrawal of charities relief, a disqualifying event as defined in paragraphs 2(3) or 3(2) of Schedule 8.

*Assignment of lease: responsibility of assignee for returns etc*

- 12 (1) Where a lease is assigned, anything that but for the assignment would be required or authorised to be done by or in relation to the assignor under or by virtue of—
- (a) section 80 (adjustment where contingency ceases or consideration is ascertained),
  - (b) section 81A (return or further return in consequence of later linked transaction),
  - (c) paragraph 3 or 4 of this Schedule (return or further return required where lease for indefinite period continues), or

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- (d) paragraph 8 of this Schedule (adjustment where rent ceases to be uncertain),
- shall, if the event giving rise to the adjustment or return occurs after the effective date of the assignment, be done instead by or in relation to the assignee.
- (2) So far as necessary for giving effect to sub-paragraph (1) anything previously done by or in relation to the assignor shall be treated as if it had been done by or in relation to the assignee.
- (3) This paragraph does not apply if the assignment falls to be treated as the grant of a lease by the assignor (see paragraph 11).

*Agreement for lease*

- 12A (1) This paragraph applies where in England and Wales or Northern Ireland—
- (a) an agreement for a lease is entered into, and
  - (b) the agreement is substantially performed without having been completed.
- (2) The agreement is treated as if it were the grant of a lease in accordance with the agreement (“the notional lease”), beginning with the date of substantial performance.
- The effective date of the transaction is that date.
- (3) Where a lease is subsequently granted in pursuance of the agreement—
- (a) the notional lease is treated as if it were surrendered at that time, and
  - (b) the lease itself is treated for the purposes of paragraph 9 (rent for overlap period in case of grant of further lease) as if it were granted in consideration of that surrender.
- (4) Where sub-paragraph (1) applies and the agreement is (to any extent) afterwards rescinded or annulled, or is for any other reason not carried into effect, the tax paid by virtue of that sub-paragraph shall (to that extent) be repaid by the Inland Revenue.
- Repayment must be claimed by amendment of the land transaction return made in respect of the agreement.
- (5) In this paragraph “substantially performed” and “completed” have the same meanings as in section 44 (contract and conveyance).

*Assignment of agreement for lease*

- 12B (1) This paragraph applies, in place of section 45 (contract and conveyance: effect of transfer of rights), where in England and Wales or Northern Ireland a person assigns his interest as lessee under an agreement for a lease.
- (2) If the assignment occurs without the agreement having been substantially performed, section 44 (contract and conveyance) has effect as if—
- (a) the contract were with the assignee and not the assignor, and
  - (b) the consideration given by the assignee for entering into the contract included any consideration given by him for the assignment.

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- (3) If the assignment occurs after the agreement has been substantially performed—
  - (a) the assignment is a separate land transaction, and
  - (b) the effective date of that transaction is the date of the assignment.
- (4) Where there are successive assignments, this paragraph has effect in relation to each of them.

*Increase of rent treated as grant of new lease: variation of lease*

- 13 (1) Where a lease is varied so as to increase the amount of the rent, the variation is treated for the purposes of this Part as if it were the grant of a lease in consideration of the additional rent made payable by it.
- (2) Sub-paragraph (1) does not apply to an increase of rent in pursuance of a provision contained in the lease (but see paragraph 14).

*Increase of rent treated as grant of new lease: abnormal increase after fifth year*

- 14 (1) This paragraph applies if, after the end of the fifth year of the term of a lease—
  - (a) the amount of rent payable increases (or is increased) in accordance with the provisions of the lease, and
  - (b) the rent payable as a result (“the new rent”) is such that the increase falls to be regarded as abnormal (see paragraph 15).
- (2) The increase in rent is treated as if it were the grant of a lease in consideration of the excess rent.
- (3) The excess rent is the difference between the new rent and the rent previously taxed.
- (4) The rent previously taxed is—
  - (a) where the provisions of this paragraph have not previously applied to a rent increase under the lease, the rent that is assumed to be payable after the fifth year of the term of the lease (in accordance with paragraph 7(3));
  - (b) where the provisions of this paragraph have previously so applied, the rent payable as a result of the last increase in relation to which the provisions of this paragraph applied.
- (5) The deemed grant is treated as—
  - (a) made on the date on which the increased rent first became payable, and
  - (b) for a term equal to the unexpired part of the original lease, and as linked with the grant of the original lease (and with any other transaction with which that transaction is linked).
- (6) The assumption in paragraph 7(3) (that the rent does not change after the end of the fifth year of the term of a lease) does not apply for the purposes of this paragraph or paragraph 15 except for the purpose of determining the rent previously taxed.

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*Increase of rent after fifth year: whether regarded as abnormal*

- 15 Whether an increase in rent is to be regarded for the purposes of paragraph 14 as abnormal is determined as follows:— *Step One*

Find the start date, which is—

- (a) where the provisions of that paragraph have not previously applied to a rent increase under the lease, the beginning of the period by reference to which the rent assumed to be payable after the fifth year of the term of the lease is determined in accordance with paragraph 7(3);
- (b) where the provisions of that paragraph have previously so applied, the date of the last increase in relation to which the provisions of that paragraph applied.

*Step Two*

Divide the period between the start date and the date on which the new rent first becomes payable (“the reference period”) into—

- (a) successive periods of twelve months running from the start date (if any), and
- (b) any remaining period which does not fall within paragraph (a).

*Step Three*

Find the factor by which the retail prices index has increased over each period identified in step two.

This is a figure expressed as a decimal and determined by the formula—

If, in relation to any period, RD is equal to or less than RI, the factor by which the retail prices index has increased over the period in question shall be treated as nil.

If, in relation to any period, the figure determined in accordance with the formula would be a figure having more than 3 decimal places, round it to the nearest third decimal place.

*Step Four*

Find the relevant factor for each period identified in step two.

This is a figure expressed as a decimal and determined by the formula—

where—

m is the number of months in the period in question (treating part of a month as a whole month), and

r is the factor by which the retail prices index has increased over the period in question, determined under step three.

If, in relation to any period, the figure determined in accordance with the formula would have more than 3 decimal places, round it to the nearest third decimal place.

*Step Five*

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Find the uplift factor for the reference period as follows.

If there is only one period identified in step two, the uplift factor for the reference period is the relevant factor for that period.

If there are only two periods identified in step two, the uplift factor for the reference period is calculated by multiplying the relevant factors for those periods.

If there are more than two periods identified in step two, the uplift factor for the reference period is calculated by—

- (a) multiplying the relevant factors for the first two periods,
- (b) multiplying the result by the relevant factor for the next period,
- (c) if there are further periods, multiplying the result by the relevant factor for the next period,

until all periods have been taken into account.

If the uplift factor for the reference period would be a figure having more than 3 decimal places, round it to the nearest third decimal place.

#### *Step Six*

The rent increase is regarded as abnormal if the new rent is greater than:

#### *Reduction of rent or term*

- 15A (1) Where a lease is varied so as to reduce the amount of the rent, the variation is treated for the purposes of this Part as an acquisition of a chargeable interest by the lessee.
- (2) Where a lease is varied so as to reduce the term, the variation is treated for the purposes of this Part as an acquisition of a chargeable interest by the lessor.

#### *Surrender of existing lease in return for new lease*

- 16 Where a lease is granted in consideration of the surrender of an existing lease between the same parties—
- (a) the grant of the new lease does not count as chargeable consideration for the surrender, and
  - (b) the surrender does not count as chargeable consideration for the grant of the new lease.

Paragraph 5 (exchanges) of Schedule 4 (chargeable consideration) does not apply in such a case.

#### *Assignment of lease: assumption of obligations by assignee*

- 17 In the case of an assignment of a lease the assumption by the assignee of the obligation—
- (a) to pay rent, or
  - (b) to perform or observe any other undertaking of the tenant under the lease,
- does not count as chargeable consideration for the assignment.

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### *Reverse premium*

- 18 (1) In the case of the grant, assignment or surrender of a lease a reverse premium does not count as chargeable consideration.
- (2) A “reverse premium” means—
- (a) in relation to the grant of a lease, a premium moving from the landlord to the tenant;
  - (b) in relation to the assignment of a lease, a premium moving from the assignor to the assignee;
  - (c) in relation to the surrender of a lease, a premium moving from the tenant to the landlord.

### *Provisions relating to leases in Scotland*

- 19 (1) In the application of this Part to Scotland—
- (a) any reference to the term of a lease is to the period of the lease, and
  - (b) any reference to the reversion on a lease is to the interest of the landlord in the property subject to the lease.
- (2) Where in Scotland there is a lease constituted by concluded missives of let (“the first lease”) and at some later time a lease is executed (“the second lease”)—
- (a) the first lease is treated as if it were surrendered at that time, and
  - (b) the second lease is treated for the purposes of paragraph 9 (rent for overlap period in case of grant of further lease) as if it were granted in consideration of that surrender.
- (3) Where in Scotland—
- (a) there is an agreement (including missives of let not constituting a lease) under which a lease is to be executed, and
  - (b) the agreement is substantially performed without a lease having been executed,
- the agreement is treated as if it were the grant of a lease in accordance with the agreement (“the notional lease”), beginning with the date of substantial performance.
- The effective date of the transaction is when the agreement is substantially performed.
- (4) Where sub-paragraph (3) applies and at some later time a lease is executed—
- (a) the notional lease is treated as if it were surrendered at that time, and
  - (b) the lease itself is treated for the purposes of paragraph 9 as if it were granted in consideration of that surrender.
- (5) References in sub-paragraphs (2) to (4) to the execution of a lease are to the execution of a lease that either is in conformity with, or relates to substantially the same property and period as, the missives of let or other agreement.
- (6) Where sub-paragraph (3) applies and the agreement is (to any extent) afterwards rescinded or annulled, or is for any other reason not carried into



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effect, the tax paid by virtue of that sub-paragraph shall (to that extent) be repaid by the Inland Revenue.

Repayment must be claimed by amendment of the land transaction return made in respect of the agreement.”.

- (3) In section 51 (contingent, uncertain or unascertained consideration), after subsection (4) add—

“(5) This section applies in relation to chargeable consideration consisting of rent only to the extent that it is applied by paragraph 7 of Schedule 17A.”.

- (4) In section 80 (adjustment where contingency ceases or consideration becomes certain)—

- (a) in subsection (3) for “land transaction return” substitute “ return under section 76 (general requirement to make land transaction return), subject to the adaptation that references to the effective date of the transaction shall be read as references to the date of the event as a result of which the return is required ”; and

- (b) after subsection (4) add—

“(5) This section does not apply so far as the consideration consists of rent (see paragraph 8 of Schedule 17A).”.

- (5) In section 87 (interest on unpaid tax), in subsection (3) (meaning of “the relevant date”), after paragraph (aa) (inserted by paragraph 19(3) above) insert—

“(ab) in the case of an amount payable under paragraph 3(3) or 4(3) of Schedule 17A (leases that continue after a fixed term and treatment of leases for an indefinite term), the day on which the lease becomes treated as being for a longer fixed term;”.

- (6) In section 90 (application to defer payment in case of contingent or uncertain consideration), after subsection (6) add—

“(7) This section does not apply so far as the consideration consists of rent.”.

- (7) In the table in section 122 (index of defined expressions), in the second column of the entry for “lease and related expressions” for “section 120” substitute “ Schedule 17A ”.

- (8) In paragraph 7 of Schedule 19 (commencement and transitional provisions: earlier related transactions under stamp duty), after sub-paragraph (3) add—

“(4) For the purposes of paragraph 5 of Schedule 17A (treatment of successive linked leases) no account shall be taken of any transaction that is not an SDLT transaction.”.

*Abolition of stamp duty: application to duplicates and counterparts*

- 23 In section 125(5) (abolition of stamp duty except on instruments relating to stock or marketable securities: instruments to which the section applies)—

- (a) in paragraph (a), after “instrument effecting a land transaction”,  
(b) in paragraph (b), after “instrument effecting a transaction other than a land transaction”, and

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- (c) in the second sentence, after “instrument effecting both a land transaction and a transaction other than a land transaction”, insert “ (or any duplicate or counterpart of such an instrument) ”.

*Application of transitional provisions to certain contracts*

- 24 In Schedule 19 (commencement and transitional provisions), after paragraph 4 (contracts entered into before the implementation date) insert—

*“Contracts substantially performed after implementation date*

- 4A Where—
- (a) a transaction is effected in pursuance of a contract entered into before the first relevant date,
  - (b) the contract is substantially performed, without having been completed, after the implementation date, and
  - (c) there is subsequently an event within paragraph 3(3) by virtue of which the transaction is an SDLT transaction,
- the effective date of the transaction shall be taken to be the date of the event referred to in paragraph (c) (and not the date of substantial performance).

*Application of provisions in case of transfer of rights*

- 4B (1) This paragraph applies where section 44 (contract and conveyance) has effect in accordance with section 45 (effect of transfer of rights).
- (2) Any reference in paragraph 3, 4 or 4A to the date when a contract was entered into (or made) shall be read, in relation to a contract deemed to exist by virtue of section 45(3) (deemed secondary contract with transferee), as a reference to the date of the assignment, subsale or other transaction in question.”.

*Stamping of contract or agreement where transaction on completion or grant of lease subject to stamp duty land tax*

- 25 (1) In Schedule 19 (commencement and transitional provisions), after paragraph 7 (earlier related transactions under stamp duty) insert—

*“Stamping of contract where transaction on completion subject to stamp duty land tax*

- 7A (1) This paragraph applies where—
- (a) a contract that apart from paragraph 7 of Schedule 13 to the Finance Act 1999 (contracts chargeable as conveyances on sale) would not be chargeable with stamp duty is entered into before the implementation date,
  - (b) a conveyance made in conformity with the contract is effected on or after the implementation date, and
  - (c) the transaction effected on completion is an SDLT transaction or would be but for an exemption or relief from stamp duty land tax.

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- (2) If in those circumstances the contract is presented for stamping together with a Revenue certificate as to compliance with the provisions of this Part of this Act in relation to the transaction effected on completion—
- (a) the payment of stamp duty land tax on that transaction or, as the case may be, the fact that no such tax was payable shall be denoted on the contract by a particular stamp, and
  - (b) the contract shall be deemed thereupon to be duly stamped.
- (3) In this paragraph “conveyance” includes any instrument.”.
- (2) In paragraph 8 of Schedule 19 (time for stamping agreement for lease: lease subject to stamp duty land tax)—
- (a) for the heading substitute “ Stamping of agreement for lease where grant of lease subject to stamp duty land tax ”, and
  - (b) in sub-paragraph (1) for the opening words substitute “ This paragraph applies where— ”.
- (3) For sub-paragraph (2) of that paragraph substitute—
- “(2) If in those circumstances the agreement is presented for stamping together with a Revenue certificate as to compliance with the provisions of this Part of this Act in relation to the grant of the lease—
- (a) the payment of stamp duty land tax in respect of the grant of the lease or, as the case may be, the fact that no such tax was payable shall be denoted on the agreement by a particular stamp, and
  - (b) the agreement shall be deemed thereupon to be duly stamped.”.
- (4) In section 122 (index of defined expressions), at the appropriate place insert—

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“Revenue certificate

section 79(3)(a)”.

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#### *Commencement*

- 26 This Part of this Schedule applies in relation to any transaction of which the effective date (within the meaning of Part 4 of the Finance Act 2003 (c. 14)) is on or after the day on which this Act is passed.

### SCHEDULE 40

Section 299

#### STAMP DUTY LAND TAX: CLAIMS NOT INCLUDED IN RETURNS

The following is the Schedule inserted after Schedule 11 to the Finance Act 2003 (c. 14)—

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“SCHEDULE 11A

Section 82A

STAMP DUTY LAND TAX: CLAIMS NOT INCLUDED IN RETURNS

*Introductory*

- 1 This Schedule applies to a claim under any provision of this Part other than a claim that is required to be made in, or by amendment to, a return under this Part. References in this Schedule to a claim shall be read accordingly.

*Making of claims*

- 2 (1) A claim must be made in such form as the Inland Revenue may determine.
- (2) The form of claim must provide for a declaration to the effect that all the particulars given in the form are correctly stated to the best of the claimant's information and belief.
- (3) The form of claim may require—
- (a) a statement of the amount of tax that will be required to be discharged or repaid in order to give effect to the claim;
  - (b) such information as is reasonably required for the purpose of determining whether and, if so, the extent to which the claim is correct;
  - (c) the delivery with the claim of such statements and documents, relating to the information contained in the claim, as are reasonably required for the purpose mentioned in paragraph (b).
- (4) A claim for repayment of tax may not be made unless the claimant has documentary evidence that the tax has been paid.

*Duty to keep and preserve records*

- 3 (1) A person who may wish to make a claim must—
- (a) keep such records as may be needed to enable him to make a correct and complete claim, and
  - (b) preserve those records in accordance with this paragraph.
- (2) The records must be preserved until the latest of the following times—
- (a) the end of the period of twelve months beginning with day on which the claim was made;
  - (b) where there is an enquiry into the claim, or into an amendment of the claim, the time when the enquiry is completed;
  - (c) where the claim is amended and there is no enquiry into the amendment, the time when the Inland Revenue no longer have power to enquire into the amendment.
- (3) The duty under this paragraph to preserve records may be satisfied by the preservation of the information contained in them.
- (4) Where information is so preserved a copy of any document forming part of the records is admissible in evidence in any proceedings before the Commissioners to the same extent as the records themselves.
- (5) A person who fails to comply with this paragraph in relation to a claim that he makes is liable to a penalty not exceeding £3,000, subject to the following exception.

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- (6) No penalty is incurred if the Inland Revenue are satisfied that any facts that they reasonably require to be proved, and that would have been proved by the records, are proved by other documentary evidence provided to them.

*Amendment of claim by claimant*

- 4 (1) The claimant may amend his claim by notice to the Inland Revenue.
- (2) No such amendment may be made—
- (a) more than twelve months after the day on which the claim was made, or
  - (b) if the Inland Revenue give notice under paragraph 7 (notice of enquiry), during the period—
    - (i) beginning with the day on which notice is given, and
    - (ii) ending with the day on which the enquiry under that paragraph is completed.

*Correction of claim by Revenue*

- 5 (1) The Inland Revenue may by notice to the claimant amend a claim so as to correct obvious errors or omissions in the claim (whether errors of principle, arithmetical mistakes or otherwise).
- (2) No such correction may be made—
- (a) more than nine months after the day on which the claim was made, or
  - (b) if the Inland Revenue give notice under paragraph 7 (notice of enquiry), during the period—
    - (i) beginning with the day on which notice is given, and
    - (ii) ending with the day on which the enquiry under that paragraph is completed.
- (3) A correction under this paragraph is of no effect if, within three months from the date of issue of the notice of correction, the claimant gives notice rejecting the correction.
- (4) Notice under sub-paragraph (3) must be given to the officer of the Board by whom the notice of correction was given.

*Giving effect to claims and amendments*

- 6 (1) As soon as practicable after a claim is made, or is amended under paragraph 4 or 5, the Inland Revenue shall give effect to the claim or amendment by discharge or repayment of tax.
- (2) Where the Inland Revenue enquire into a claim or amendment—
- (a) sub-paragraph (1) does not apply until a closure notice is given under paragraph 11 (completion of enquiry), and then it applies subject to paragraph 13 (giving effect to amendments under paragraph 11), but
  - (b) the Inland Revenue may at any time before then give effect to the claim or amendment, on a provisional basis, to such extent as they think fit.

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*Notice of enquiry*

- 7 (1) The Inland Revenue may enquire into a person's claim or amendment of a claim if they give him notice of their intention to do so ("notice of enquiry") before the end of the period of nine months after the day on which the claim or amendment was made.
- (2) A claim or amendment that has been the subject of one notice of enquiry may not be the subject of another.

*Notice to produce documents etc for purposes of enquiry*

- 8 (1) If the Inland Revenue give a person a notice of enquiry, they may by notice in writing require him—
- (a) to produce to them such documents in his possession or power, and
  - (b) to provide them with such information, in such form,
- as they may reasonably require for the purposes of the enquiry.
- (2) A notice given to a person under this paragraph (which may be given at the same time as the notice of enquiry) must specify the time (which must not be less than 30 days) within which he is to comply with it.
- (3) In complying with a notice under this paragraph copies of documents may be produced instead of originals, but—
- (a) the copies must be photographic or other facsimiles, and
  - (b) the Inland Revenue may by notice require the original to be produced for inspection.
- A notice under paragraph (b) must specify the time (which must not be less than 30 days) within which the person is to comply with it.
- (4) The Inland Revenue may take copies of, or make extracts from, any documents produced to them under this paragraph.
- (5) A notice under this paragraph does not oblige a person to produce documents or provide information relating to the conduct of any pending appeal by him.

*Appeal against notice to produce documents etc*

- 9 (1) An appeal may be brought against a requirement imposed by a notice under paragraph 8 to produce documents or provide information.
- (2) Notice of appeal must be given—
- (a) in writing,
  - (b) within 30 days after the issue of the notice appealed against,
  - (c) to the officer of the Board by whom that notice was given.
- (3) An appeal under this paragraph shall be heard and determined in the same way as an appeal against an assessment.
- (4) On an appeal under this paragraph the Commissioners—
- (a) shall set aside the notice so far as it requires the production of documents, or the provision of information, that appears to them not reasonably required for the purposes of the enquiry, and

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- (b) shall confirm the notice so far as it requires the production of documents, or the provision of information, that appears to them reasonably required for the purposes of the enquiry.
- (5) A notice that is confirmed by the Commissioners (or so far as it is confirmed) has effect as if the period specified in it for complying was 30 days from the determination of the appeal.
- (6) The decision of the Commissioners on an appeal under this paragraph is final.

*Penalty for failure to produce documents etc*

- 10 (1) A person who fails to comply with a notice under paragraph 8 (notice to produce documents etc for purposes of enquiry) is liable—
  - (a) to a penalty of £50, and
  - (b) if the failure continues after a penalty is imposed under paragraph (a), to a further penalty or penalties not exceeding £30 for each day on which the failure continues.
- (2) No penalty shall be imposed under this paragraph in respect of a failure at any time after the failure has been remedied.

*Completion of enquiry*

- 11 (1) An enquiry under paragraph 7 is completed when the Inland Revenue by notice (a “closure notice”) inform the purchaser that they have completed their enquiries and state their conclusions.
  - (2) A closure notice must either—
    - (a) state that in the opinion of the Inland Revenue no amendment of the claim is required, or
    - (b) if in the Inland Revenue’s opinion the claim is insufficient or excessive, amend the claim so as to make good or eliminate the deficiency or excess.
- In the case of an enquiry into an amendment of a claim, paragraph (b) applies only so far as the deficiency or excess is attributable to the amendment.
- (3) A closure notice takes effect when it is issued.

*Direction to complete enquiry*

- 12 (1) The claimant may apply to the General or Special Commissioners for a direction that the Inland Revenue give a closure notice within a specified period.
- (2) Any such application shall be heard and determined in the same way as an appeal.
- (3) The Commissioners hearing the application shall give a direction unless they are satisfied that the Inland Revenue have reasonable grounds for not giving a closure notice within a specified period.

*Giving effect to amendments under paragraph 11*

- 13 (1) Within 30 days after the date of issue of a notice under paragraph 11(2)(b) (closure notice that amends claim), the Inland Revenue shall give effect to the amendment by making such adjustment as may be necessary, whether—

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- (a) by way of assessment on the claimant, or
  - (b) by discharge or repayment of tax.
- (2) An assessment made under sub-paragraph (1) is not out of time if it is made within the time mentioned in that sub-paragraph.

*Appeals against amendments under paragraph 11*

- 14 (1) An appeal may be brought against a conclusion stated or amendment made by a closure notice.
- (2) Notice of the appeal must be given—
- (a) in writing,
  - (b) within 30 days after the date on which the closure notice was issued,
  - (c) to the officer of the Board by whom the closure notice was given.
- (3) The notice of appeal must specify the grounds of appeal.
- (4) On the hearing of the appeal the Commissioners may allow the appellant to put forward grounds not specified in the notice, and take them into consideration, if satisfied that the omission was not deliberate or unreasonable.
- (5) Paragraph 37 of Schedule 10 (settling of appeals by agreement) applies in relation to an appeal under this paragraph as it applies in relation to an appeal under paragraph 35 of that Schedule.
- (6) On an appeal against an amendment made by a closure notice, the Commissioners may vary the amendment appealed against whether or not the variation is to the advantage of the appellant.
- (7) Where any such amendment is varied, whether by the Commissioners or by the order of a court, paragraph 13 (giving effect to amendments under paragraph 11) applies (with the necessary modifications) in relation to the variation as it applied in relation to the amendment.

*Jurisdiction of Commissioners*

- 15 (1) An appeal against a conclusion stated or amendment made by a closure notice is to be made to the Special Commissioners if it relates to a claim made to the Board.
- (2) Subject to—
- (a) sub-paragraph (1),
  - (b) paragraph 33(4) of Schedule 10 (appeal against decision on claim for relief in case of double assessment), and
  - (c) any right to elect to bring an appeal before the Special Commissioners conferred by regulations under Schedule 17 (General and Special Commissioners, appeals and other proceedings),
- an appeal under any provision of this Schedule is to be made to the General Commissioners.”



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## SCHEDULE 41

Section 304

### STAMP DUTY LAND TAX: APPLICATION TO CERTAIN PARTNERSHIP TRANSACTIONS

- 1 In Schedule 15 to the Finance Act 2003 (c. 14) (stamp duty land tax: partnerships), for Part 3 (transactions excluded from stamp duty land tax) substitute—

#### “PART 3

#### TRANSACTIONS TO WHICH SPECIAL PROVISIONS APPLY

##### Introduction

- 9 (1) This Part of this Schedule applies to certain transactions involving—
- (a) the transfer of a chargeable interest to a partnership (paragraph 10),
  - (b) the transfer of an interest in a partnership (paragraphs 14, 17, 31 and 32), or
  - (c) the transfer of a chargeable interest from a partnership (paragraph 18).
- (2) References in this Part of this Schedule to the transfer of a chargeable interest include—
- (a) the grant or creation of a chargeable interest,
  - (b) the variation of a chargeable interest, and
  - (c) the surrender, release or renunciation of a chargeable interest.

##### Transfer of chargeable interest to a partnership: general

- 10 (1) This paragraph applies where—
- (a) a partner transfers a chargeable interest to the partnership, or
  - (b) a person transfers a chargeable interest to a partnership in return for an interest in the partnership, or
  - (c) a person connected with—
    - (i) a partner, or
    - (ii) a person who becomes a partner as a result of or in connection with the transfer,transfers a chargeable interest to the partnership.

It applies whether the transfer is in connection with the formation of the partnership or is a transfer to an existing partnership.

- (2) The chargeable consideration for the transaction shall (subject to paragraph 13) be taken to be equal to—

$$(RCP \times MV) + (RCP \times AC)$$

where—

RCP is the relevant chargeable proportion,

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MV is the market value of the interest transferred, and

AC is the actual consideration for the transaction.

- (3) The relevant chargeable proportion in relation to the market value of the interest transferred is—

$$(100 - \text{SLP})\%$$

where SLP is the sum of the lower proportions.

- (4) The relevant chargeable proportion in relation to the actual consideration for the transaction is—

$$\text{SLP}\%$$

where SLP is the sum of the lower proportions.

- (5) Paragraph 12 provides for determining the sum of the lower proportions.
- (6) Paragraph 11 applies (instead of sub-paragraphs (2) to (5)) if the whole or part of the chargeable consideration for the transaction is rent.
- (7) Paragraphs 6 to 8 (responsibility of partners) have effect in relation to a transaction to which this paragraph applies, but the responsible partners are—
- (a) those who were partners immediately before the transfer and who remain partners after the transfer, and
  - (b) any person becoming a partner as a result of, or in connection with, the transfer.

**Transfer of chargeable interest to a partnership: chargeable consideration including rent**

- 11 (1) This paragraph applies in relation to a transaction to which paragraph 10 applies where the whole or part of the chargeable consideration for the transaction is rent.
- (2) Schedule 5 provides for the calculation of the tax chargeable in respect of the transaction, subject to the following provisions of this paragraph.
- (3) Paragraph 2 of Schedule 5 (calculation of tax chargeable in respect of rent) has effect as if—
- (a) for “the net present value of the rent payable over the term of the lease” there were substituted “ the relevant chargeable proportion of the net present value of the rent payable over the term of the lease ”, and
  - (b) for “the net present values of the rent payable over the terms of all the leases” there were substituted “ the relevant chargeable proportions of the net present values of the rent payable over the terms of all the leases ”.

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- (4) If there is chargeable consideration other than rent, that chargeable consideration shall be taken to be equal to—

$$(RCP \times MV) + (RCP \times AC)$$

where—

RCP is the relevant chargeable proportion,

MV is the market value of the interest transferred, and

AC is the actual chargeable consideration other than rent.

- (5) If there is no chargeable consideration other than rent—
- (a) there shall (despite that) be taken to be chargeable consideration other than rent (in particular for the purposes of paragraph 9 of Schedule 5), and
  - (b) that chargeable consideration shall be taken to be equal to—

$$RCP \times MV$$

where—

RCP is the relevant chargeable proportion, and

MV is the market value of the interest transferred.

- (6) The relevant chargeable proportion in relation to—
- (a) the net present value of the rent payable over the term of a lease, or
  - (b) the market value of the interest transferred,
- is—

$$(100 - SLP)\%$$

where SLP is the sum of the lower proportions.

- (7) The relevant chargeable proportion in relation to the actual consideration other than rent is—

$$SLP\%$$

where SLP is the sum of the lower proportions.

- (8) Paragraph 12 provides for determining the sum of the lower proportions.

- (9) This paragraph is subject to paragraph 13.

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### **Transfer of chargeable interest to a partnership: sum of the lower proportions**

- 12 (1) The sum of the lower proportions in relation to a transaction to which paragraph 10 applies is determined as follows:—

#### *Step One*

Identify the relevant owner or owners.

A person is a relevant owner if—

- (a) immediately before the transaction, he was entitled to a proportion of the chargeable interest, and
- (b) immediately after the transaction, he is a partner or connected with a partner.

#### *Step Two*

For each relevant owner, identify the corresponding partner or partners.

A person is a corresponding partner in relation to a relevant owner if, immediately after the transaction—

- (a) he is a partner, and
- (b) he is the relevant owner or is connected with the relevant owner.

#### *Step Three*

For each relevant owner, find the proportion of the chargeable interest to which he was entitled immediately before the transaction.

Apportion that proportion between any one or more of the relevant owner's corresponding partners.

#### *Step Four*

Find the lower proportion for each person who is a corresponding partner in relation to one or more relevant owners.

The lower proportion is—

- (a) the proportion of the chargeable interest attributable to the partner, or
- (b) if lower, the partner's partnership share immediately after the transaction.

The proportion of the chargeable interest attributable to the partner is—

- (i) if he is a corresponding partner in relation to only one relevant owner, the proportion (if any) of the chargeable interest apportioned to him (at Step Three) in respect of that owner;
- (ii) if he is a corresponding partner in relation to more than one relevant owner, the sum of the proportions (if any) of the chargeable interest apportioned to him (at Step Three) in respect of each of those owners.

#### *Step Five*

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Add together the lower proportions of each person who is a corresponding partner in relation to one or more relevant owners.

The result is the sum of the lower proportions.

- (2) For the purposes of this paragraph persons who are entitled to a chargeable interest as beneficial joint tenants (or, in Scotland, as joint owners) shall be taken to be entitled to the chargeable interest as beneficial tenants in common (or, in Scotland, as owners in common) in equal shares.

### **Transfer of chargeable interest to a partnership consisting wholly of bodies corporate**

- 13 (1) This paragraph applies where—
- (a) there is a transaction to which paragraph 10 applies;
  - (b) immediately after the transaction all the partners are bodies corporate;
  - (c) the sum of the lower proportions is 75 or more.
- (2) Paragraphs 10 and 11 have effect with these modifications.
- (3) In paragraph 10, for sub-paragraphs (2) to (5) substitute—
- “(2) The chargeable consideration for the transaction shall be taken to be equal to the market value of the interest transferred.”.
- (4) In paragraph 10(6), for “sub-paragraphs (2) to (5)” substitute “ sub-paragraph (2) ”.
- (5) In paragraph 11, omit sub-paragraphs (3) and (6) to (8).
- (6) In paragraph 11, for sub-paragraph (4) substitute—
- “(4) If there is chargeable consideration other than rent, that chargeable consideration shall be taken to be equal to the market value of the interest transferred.”.
- (7) In paragraph 11, for sub-paragraph (5)(b) substitute—
- “(b) that chargeable consideration shall be taken to be equal to the market value of the interest transferred.”.
- (8) Paragraph 12 provides for determining the sum of the lower proportions.

### **Transfer of partnership interest: consideration given and chargeable interest held**

- 14 (1) This paragraph applies where—
- (a) there is a transfer of an interest in a partnership,
  - (b) consideration is given for the transfer, and
  - (c) the relevant partnership property includes a chargeable interest.
- (2) The transfer—
- (a) shall be taken for the purposes of this Part to be a land transaction;

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- (b) is a chargeable transaction.
- (3) The purchaser under the transaction is the person who acquires an increased partnership share or, as the case may be, becomes a partner in consequence of the transfer.
- (4) Consideration is regarded as given for the transfer—
  - (a) in a case within paragraph 36(a), if consideration in money or money’s worth is given by or on behalf of the person acquiring the interest;
  - (b) in a case within paragraph 36(b), if there is a withdrawal of money or money’s worth from the partnership by the person reducing his interest or ceasing to be a partner.
- (5) The “relevant partnership property”, in relation to a transfer of an interest in a partnership, is every chargeable interest held as partnership property immediately after the transfer, other than—
  - (a) any interest that was transferred to the partnership in connection with the transfer;
  - (b) a lease to which paragraph 15 (exclusion of market rent leases) applies.
- (6) The chargeable consideration for the transaction shall be taken to be equal to a proportion of the market value of the relevant partnership property.
- (7) That proportion is—
  - (a) if the person acquiring the interest in the partnership was not a partner before the transfer, his partnership share immediately after the transfer;
  - (b) if he was a partner before the transfer, the difference between his partnership share before and after the transfer.

#### **Exclusion of market rent leases**

- 15 (1) A lease held as partnership property immediately after a transfer of an interest in the partnership is not relevant partnership property for the purposes of paragraph 14(5) if the following four conditions are met.
- (2) The first condition is that—
    - (a) no chargeable consideration other than rent has been given in respect of the grant of the lease, and
    - (b) no arrangements are in place at the time of the transfer for any chargeable consideration other than rent to be given in respect of the grant of the lease.
  - (3) The second condition is that the rent payable under the lease as granted was a market rent at the time of the grant.
  - (4) The third condition is that—
    - (a) the term of the lease is 5 years or less, or
    - (b) if the term of the lease is more than 5 years—

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- (i) the lease provides for the rent payable under it to be reviewed at least once in every 5 years of the term, and
  - (ii) the rent payable under the lease as a result of a review is required to be a market rent at the review date.
- (5) The fourth condition is that there has been no change to the lease since it was granted which is such that, immediately after the change has effect, the rent payable under the lease is less than a market rent.
- (6) The market rent of a lease at any time is the rent which the lease might reasonably be expected to fetch at that time in the open market.
- (7) A review date is a date from which the rent determined as a result of a rent review is payable.

#### **Partnership interests: application of provisions about exchanges etc.**

- 16 (1) Where paragraph 5 of Schedule 4 (exchanges) applies to the acquisition of an interest in a partnership in consideration of entering into a land transaction with an existing partner, the interest in the partnership shall be treated as a major interest in land for the purposes of that paragraph if the relevant partnership property includes a major interest in land.
- (2) In sub-paragraph (1) “relevant partnership property” has the meaning given by paragraph 14(5).
- (3) The provisions of paragraph 6 of Schedule 4 (partition etc: disregard of existing interest) do not apply where this paragraph applies.

#### **Transfer of partnership interest pursuant to earlier arrangements**

- 17 (1) This paragraph applies where—
- (a) there is a transfer of a chargeable interest to a partnership (“the land transfer”);
  - (b) the land transfer falls within paragraph (a), (b) or (c) of paragraph 10(1);
  - (c) there is subsequently a transfer of an interest in the partnership (“the partnership transfer”);
  - (d) the partnership transfer is made—
    - (i) if the land transfer falls within paragraph 10(1)(a) or (b), by the person who makes the land transfer;
    - (ii) if the land transfer falls within paragraph 10(1)(c), by the partner concerned;
  - (e) the partnership transfer is made pursuant to arrangements that were in place at the time of the land transfer;
  - (f) the partnership transfer is not (apart from this paragraph) a chargeable transaction.
- (2) The partnership transfer—
- (a) shall be taken for the purposes of this Part to be a land transaction;
  - (b) is a chargeable transaction.

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- (3) The partners shall be taken to be the purchasers under the transaction.
- (4) The chargeable consideration for the transaction shall be taken to be equal to a proportion of the market value, as at the date of the transaction, of the interest transferred by the land transfer.
- (5) That proportion is—
  - (a) if the person making the partnership transfer is not a partner immediately after the transfer, his partnership share immediately before the transfer;
  - (b) if he is a partner immediately after the transfer, the difference between his partnership share before and after the transfer.
- (6) The partnership transfer and the land transfer shall be taken to be linked transactions.
- (7) Paragraphs 6 to 8 (responsibility of partners) have effect in relation to the partnership transfer, but the responsible partners are—
  - (a) those who were partners immediately before the transfer and who remain partners after the transfer, and
  - (b) any person becoming a partner as a result of, or in connection with, the transfer.

**Transfer of chargeable interest from a partnership: general**

- 18 (1) This paragraph applies where a chargeable interest is transferred—
  - (a) from a partnership to a person who is or has been one of the partners, or
  - (b) from a partnership to a person connected with a person who is or has been one of the partners.
- (2) The chargeable consideration for the transaction shall (subject to paragraph 24) be taken to be equal to—

$$(RCP \times MV) + (RCP \times AC)$$

where—

RCP is the relevant chargeable proportion,

MV is the market value of the interest transferred, and

AC is the actual consideration for the transaction.

- (3) The relevant chargeable proportion in relation to the market value of the interest transferred is—

$$(100 - SLP)\%$$

where SLP is the sum of the lower proportions.



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- (4) The relevant chargeable proportion in relation to the actual consideration for the transaction is—

$$\text{SLP} \%$$

where SLP is the sum of the lower proportions.

- (5) Paragraph 20 provides for determining the sum of the lower proportions.
- (6) Paragraph 19 applies (instead of sub-paragraphs (2) to (5)) if the whole or part of the chargeable consideration for the transaction is rent.
- (7) For the purposes of this paragraph property that was partnership property before the partnership was dissolved or otherwise ceased to exist shall be treated as remaining partnership property until it is distributed.

**Transfer of chargeable interest from a partnership: chargeable consideration including rent**

- 19 (1) This paragraph applies in relation to a transaction to which paragraph 18 applies where the whole or part of the chargeable consideration for the transaction is rent.
- (2) Schedule 5 provides for the calculation of the tax chargeable in respect of the transaction, subject to the following provisions of this paragraph.
- (3) Paragraph 2 of Schedule 5 (calculation of tax chargeable in respect of rent) has effect as if—
- (a) for “the net present value of the rent payable over the term of the lease” there were substituted “ the relevant chargeable proportion of the net present value of the rent payable over the term of the lease ”, and
- (b) for “the net present values of the rent payable over the terms of all the leases” there were substituted “ the relevant chargeable proportions of the net present values of the rent payable over the terms of all the leases ”.
- (4) If there is chargeable consideration other than rent, that chargeable consideration shall be taken to be equal to—

$$(\text{RCP} \times \text{MV}) + (\text{RCP} \times \text{AC})$$

where—

RCP is the relevant chargeable proportion,

MV is the market value of the interest transferred, and

AC is the actual chargeable consideration other than rent.

- (5) If there is no chargeable consideration other than rent—

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- (a) there shall (despite that) be taken to be chargeable consideration other than rent (in particular for the purposes of paragraph 9 of Schedule 5), and
- (b) that chargeable consideration shall be taken to be equal to—

$$\text{RCP} \times \text{MV}$$

where—

RCP is the relevant chargeable proportion, and

MV is the market value of the interest transferred.

- (6) The relevant chargeable proportion in relation to—
  - (a) the net present value of the rent payable over the term of a lease, or
  - (b) the market value of the interest transferred,
 is—

$$(100 - \text{SLP})\%$$

where SLP is the sum of the lower proportions.

- (7) The relevant chargeable proportion in relation to the actual consideration other than rent is—

$$\text{SLP}\%$$

where SLP is the sum of the lower proportions.

- (8) Paragraph 20 provides for determining the sum of the lower proportions.
- (9) This paragraph is subject to paragraph 24.

**Transfer of chargeable interest from a partnership: sum of the lower proportions**

- 20 (1) The sum of the lower proportions in relation to a transaction to which paragraph 18 applies is determined as follows:—

*Step One*

Identify the relevant owner or owners.

A person is a relevant owner if—

- (a) immediately after the transaction, he is entitled to a proportion of the chargeable interest, and
- (b) immediately before the transaction, he was a partner or connected with a partner.

*Step Two*

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For each relevant owner, identify the corresponding partner or partners.

A person is a corresponding partner in relation to a relevant owner if, immediately before the transaction—

- (a) he was a partner, and
- (b) he was the relevant owner or was connected with the relevant owner.

*Step Three*

For each relevant owner, find the proportion of the chargeable interest to which he is entitled immediately after the transaction.

Apportion that proportion between any one or more of the relevant owner's corresponding partners.

*Step Four*

Find the lower proportion for each person who is a corresponding partner in relation to one or more relevant owners.

The lower proportion is—

- (a) the proportion of the chargeable interest attributable to the partner, or
- (b) if lower, the partnership share attributable to the partner.

The proportion of the chargeable interest attributable to the partner is—

- (i) if he is a corresponding partner in relation to only one relevant owner, the proportion (if any) of the chargeable interest apportioned to him (at Step Three) in respect of that owner;
- (ii) if he is a corresponding partner in relation to more than one relevant owner, the sum of the proportions (if any) of the chargeable interest apportioned to him (at Step Three) in respect of each of those owners.

Paragraph 21 provides for determining the partnership share attributable to the partner.

*Step Five*

Add together the lower proportions of each person who is a corresponding partner in relation to one or more relevant owners.

The result is the sum of the lower proportions.

- (2) For the purposes of this paragraph persons who are entitled to a chargeable interest as beneficial joint tenants (or, in Scotland, as joint owners) shall be taken to be entitled to the chargeable interest as beneficial tenants in common (or, in Scotland, as owners in common) in equal shares.

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### **Transfer of chargeable interest from a partnership: partnership share attributable to partner**

- 21 (1) This paragraph provides for determining the partnership share attributable to a partner for the purposes of paragraph 20 (1) (see Step Four).
- (2) Paragraph 22 applies for determining the partnership share attributable to a partner where—
- (a) the effective date of the transfer of the relevant chargeable interest to the partnership was before 20th October 2003, or
  - (b) the effective date of the transfer of the relevant chargeable interest to the partnership was on or after that date and—
    - (i) the instrument by which the transfer was effected has been duly stamped with *ad valorem* stamp duty, or
    - (ii) any tax payable in respect of the transfer has been duly paid under this Part.
- (3) Where the effective date of the transfer of the relevant chargeable interest to the partnership was on or after 20th October 2003 but neither of the conditions in sub-paragraphs (i) and (ii) of sub-paragraph (2)(b) is met, the partnership share attributable to the partner is zero.
- (4) The relevant chargeable interest is—
- (a) the chargeable interest which ceases to be partnership property as a result of the transaction to which paragraph 18 applies, or
  - (b) where the transaction to which paragraph 18 applies is the grant or creation of a chargeable interest, the chargeable interest out of which that interest is granted or created.
- 22 (1) Where this paragraph applies, the partnership share attributable to the partner is determined as follows:—

#### *Step One*

Find the partner's actual partnership share on the relevant date.

In a case falling within paragraph 21(2)(a), the relevant date—

- (a) if the partner was a partner on 19th October 2003, is that date;
- (b) if the partner became a partner after that date, is the date on which he became a partner.

In a case falling within paragraph 21(2)(b), the relevant date—

- (a) if the partner was a partner on the effective date of the transfer of the relevant chargeable interest to the partnership, is that date;
- (b) if the partner became a partner after that date, is the date on which he became a partner.

#### *Step Two*

Add to that partnership share any increases in the partner's partnership share which—

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- (a) occur in the period starting on the day after the relevant date and ending immediately before the transaction to which paragraph 18 applies, and
- (b) count for this purpose.

The result is the increased partnership share.

An increase counts for the purpose of paragraph (b) only if—

- (i) where the transfer which resulted in the increase took place on or before the date on which the Finance Act 2004 was passed, the instrument by which the transfer was effected has been duly stamped with *ad valorem* stamp duty under the enactments relating to stamp duty;
- (ii) where the transfer which resulted in the increase took place after that date, any tax payable in respect of the transfer has been duly paid under this Part.

#### *Step Three*

Deduct from the increased partnership share any decreases in the partner's partnership share which occur in the period starting on the day after the relevant date and ending immediately before the transaction to which paragraph 18 applies.

The result is the partnership share attributable to the partner.

- (2) If the effect of applying Step Three would be to reduce the partnership share attributable to the partner below zero, the partnership share attributable to the partner is zero.
- (3) In a case falling within paragraph 21(2)(a), if the partner ceased to be a partner before 19th October 2003, the partnership share attributable to the partner is zero.
- (4) In a case falling within paragraph 21(2)(b), if the partner ceased to be a partner before the effective date of the transfer of the relevant chargeable interest to the partnership, the partnership share attributable to the partner is zero.
- (5) Paragraph 21(4) (relevant chargeable interest) applies for the purposes of this paragraph.

### **Transfer of chargeable interest from a partnership to a partnership**

- 23 (1) This paragraph applies where—
  - (a) there is a transfer of a chargeable interest from a partnership to a partnership, and
  - (b) the transfer is both—
    - (i) a transaction to which paragraph 10 applies, and
    - (ii) a transaction to which paragraph 18 applies.
- (2) Where none of the chargeable consideration for the transaction is rent—
  - (a) paragraphs 10(2) to (5) and 18(2) to (5) do not apply;

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- (b) the chargeable consideration for the transaction shall be taken to be what it would have been if paragraph 10(2) to (5) had applied or, if greater, what it would have been if paragraph 18(2) to (5) had applied.
- (3) Where the whole or part of the chargeable consideration for the transaction is rent—
  - (a) paragraphs 11 and 19 do not apply;
  - (b) the chargeable consideration for the transaction shall be taken to be what it would have been if paragraph 11 had applied or, if greater, what it would have been if paragraph 19 had applied.

### **Transfer of chargeable interest from a partnership consisting wholly of bodies corporate**

- 24 (1) This paragraph applies where—
- (a) there is a transaction to which paragraph 18 applies;
  - (b) immediately before the transaction all the partners are bodies corporate;
  - (c) the sum of the lower proportions is 75 or more.
- (2) Paragraphs 18, 19 and 23 have effect with these modifications.
- (3) In paragraph 18, for sub-paragraphs (2) to (5) substitute—
- “(2) The chargeable consideration for the transaction shall be taken to be equal to the market value of the interest transferred.”
- (4) In paragraph 18(6), for “sub-paragraphs (2) to (5)” substitute “ sub-paragraph (2) ”.
- (5) In paragraph 19, omit sub-paragraphs (3) and (6) to (8).
- (6) In paragraph 19, for sub-paragraph (4) substitute—
- “(4) If there is chargeable consideration other than rent, that chargeable consideration shall be taken to be equal to the market value of the interest transferred.”
- (7) In paragraph 19, for sub-paragraph (5)(b) substitute—
- “(b) that chargeable consideration shall be taken to be equal to the market value of the interest transferred.”
- (8) In paragraph 23(2)—
- (a) for “paragraphs 10(2) to (5) and 18(2) to (5)” substitute “ paragraphs 10(2) and 18(2) ”;
  - (b) for “paragraph 10(2) to (5)” substitute “ paragraph 10(2) ”;
  - (c) for “paragraph 18(2) to (5)” substitute “ paragraph 18(2) ”.
- (9) Paragraph 20 provides for determining the sum of the lower proportions.

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### **Application of exemptions and reliefs**

- 25 (1) Where paragraph 10, 14, 17 or 18 applies, paragraph 1 of Schedule 3 (exemption of transactions for which there is no chargeable consideration) does not apply.
- (2) But (subject to paragraphs 26 to 28) this Part of this Schedule has effect subject to any other provision affording exemption or relief from stamp duty land tax.

### **Application of disadvantaged areas relief**

- 26 (1) Schedule 6 (disadvantaged areas relief) applies to the transfer of an interest in a partnership that is a chargeable transaction by virtue of paragraph 14 or 17 with these modifications.
- (2) For paragraph 3 substitute—
- “3 (1) This Part of this Schedule applies to a transfer of an interest in a partnership that is a chargeable transaction by virtue of paragraph 14 of Schedule 15 if every chargeable interest comprising the relevant partnership property is a chargeable interest in relation to land that is wholly situated in a disadvantaged area.
- (2) This Part of this Schedule applies to a transfer of an interest in a partnership that is a chargeable transaction by virtue of paragraph 17 of Schedule 15 if the subject matter of the land transfer is a chargeable interest in relation to land that is wholly situated in a disadvantaged area.”.
- (3) In paragraph 5, for sub-paragraphs (2) to (4) substitute—
- “(2) If the relevant consideration does not exceed £150,000 the transaction is exempt from charge.”.
- (4) For paragraph 6 substitute—
- “6 (1) This paragraph applies where the land is partly non-residential property and partly residential property.
- (2) The non-residential proportion of the chargeable consideration for the transaction does not count as chargeable consideration.
- (3) The non-residential proportion is the proportion of the market value of the relevant property that, on a just and reasonable apportionment, is attributable to land that is non-residential property.
- (4) If the relevant consideration does not exceed £150,000, none of the residential proportion of the chargeable consideration counts as chargeable consideration.
- (5) The residential proportion is the proportion of the market value of the relevant property that, on a just and reasonable

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apportionment, is attributable to land that is residential property.”.

(5) For paragraph 7 substitute—

“7 (1) This Part of this Schedule applies to a transfer of an interest in a partnership that is a chargeable transaction by virtue of paragraph 14 of Schedule 15 if—

- (a) some (but not all) of the chargeable interests comprising the relevant partnership property are chargeable interests in relation to land that is wholly situated in a disadvantaged area, or
- (b) any chargeable interest comprised in the relevant partnership property is a chargeable interest in relation to land that is partly situated in a disadvantaged area and partly situated outside such an area.

(2) This Part of this Schedule applies to a transfer of an interest in a partnership that is a chargeable transaction by virtue of paragraph 17 of Schedule 15 if the subject matter of the land transfer is a chargeable interest in relation to land that is partly situated in a disadvantaged area and partly situated outside such an area.

(3) In this Part—

- (a) references to the disadvantaged-area proportion are to the proportion of the market value of the relevant property that, on a just and reasonable apportionment, is attributable to land situated in a disadvantaged area;
- (b) references to the advantaged-area proportion are to the proportion of the market value of the relevant property that, on a just and reasonable apportionment, is attributable to land that is situated outside a disadvantaged area.”.

(6) In paragraph 8, for “consideration attributable to the land situated in the disadvantaged area” substitute “ disadvantaged-area proportion of the chargeable consideration ”.

(7) In paragraph 9, for sub-paragraphs (2) to (4) substitute—

“(2) If the relevant consideration does not exceed £150,000 none of the disadvantaged-area proportion of the chargeable consideration counts as chargeable consideration.”.

(8) For paragraph 10 substitute—

“10 (1) This paragraph applies where the land situated in a disadvantaged area is partly non-residential property and partly residential property.

(2) The non-residential proportion of the disadvantaged-area proportion of the chargeable consideration for the transaction does not count as chargeable consideration.



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- (3) The non-residential proportion is the proportion of the disadvantaged-area proportion of the market value of the relevant property that, on a just and reasonable apportionment, is attributable to land that is not residential property.
- (4) If the relevant consideration does not exceed £150,000, none of the residential proportion of the disadvantaged-area proportion of the chargeable consideration counts as chargeable consideration.
- (5) The residential proportion is the proportion of the disadvantaged-area proportion of the market value of the relevant property that, on a just and reasonable apportionment, is attributable to land that is residential property.”.
- (9) After paragraph 11 (1) insert—
- “(1A) In this Schedule—
- “the land transfer” means the transaction that is the land transfer for the purposes of paragraph 17 of Schedule 15;
- “the relevant partnership property” has the meaning given by paragraph 14(5) of Schedule 15;
- “the relevant property”—
- (a) in the case of a transfer of an interest in a partnership that is a chargeable transaction by virtue of paragraph 14 of Schedule 15, means the relevant partnership property;
- (b) in the case of a transfer of an interest in a partnership that is a chargeable transaction by virtue of paragraph 17 of Schedule 15, means the subject matter of the land transfer.
- (1B) There is a transfer of an interest in a partnership for the purposes of this Schedule if there is such a transfer for the purposes of Part 3 of Schedule 15 (see paragraph 36 of that Schedule).”.
- (10) Omit paragraphs 11(2) and 12.

### **Application of group relief**

- 27 (1) Part 1 of Schedule 7 (group relief) applies to—
- (a) a transaction to which paragraph 10 applies, and
- (b) a transaction that is a chargeable transaction by virtue of paragraph 17,
- with these modifications.
- (2) In paragraph 3(1)(a), for “the purchaser” substitute “ a partner who was a partner at the effective date of the relevant transaction (“the relevant partner”) ”.
- (3) In paragraph 3(1), for paragraph (b) substitute—

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- “(b) at the time the relevant partner ceases to be a member of the same group as the vendor (“the relevant time”), a chargeable interest is held by or on behalf of the members of the partnership and that chargeable interest—
- (i) was acquired by or on behalf of the partnership under the relevant transaction, or
  - (ii) is derived from a chargeable interest so acquired,
- and has not subsequently been acquired at market value under a chargeable transaction for which group relief was available but was not claimed.”.
- (4) In paragraph 3(3), for the words from “the transferee company” to the end substitute “ or on behalf of the partnership and to the proportion in which the relevant partner is entitled at the relevant time to share in the income profits of the partnership. ”.
- (5) In paragraph 3(4), omit the definition of “relevant associated company”.
- (6) In paragraphs 4 to 6, for “the purchaser” (wherever appearing) substitute “ the relevant partner ”.

### **Application of charities relief**

- 28 (1) Schedule 8 (charities relief) applies to the transfer of an interest in a partnership that is a chargeable transaction by virtue of paragraph 14 or 17 with these modifications.
- (2) In paragraph 1(1), for “A land transaction is exempt from charge if the purchaser is a charity” substitute “ A transfer of an interest in a partnership that is a chargeable transaction by virtue of paragraph 14 or 17 of Schedule 15 is exempt from charge if the transferee is a charity ”.
- (3) In paragraph 1(2)—
- (a) for “the purchaser must intend to hold the subject-matter of the transaction” substitute “ every chargeable interest held as partnership property immediately after the transfer must be held ”.
  - (b) in paragraphs (a) and (b) for “the purchaser” substitute “ the transferee ”.
- (4) In paragraph 1(3) for “the purchaser” substitute “ the transferee ”.
- (5) In paragraph 2(1), for paragraph (b) substitute—
- “(b) at the time of the disqualifying event the partnership property includes a chargeable interest—
- (i) that was held as partnership property immediately after the relevant transaction, or
  - (ii) that is derived from an interest held as partnership property at that time.”.
- (6) In paragraph 2(3)(a), for “the purchaser” substitute “ the transferee ”.

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- (7) In paragraph 2(3), for paragraph (b) substitute—
- “(b) any chargeable interest held as partnership property immediately after the relevant transaction, or any interest or right derived from it, being used or held otherwise than for qualifying charitable purposes.”.
- (8) For paragraph 2(4) substitute—
- “(4) In sub-paragraphs (1) and (2) an “appropriate proportion” means an appropriate proportion having regard to—
- (a) the chargeable interests held as partnership property immediately after the relevant transaction and the chargeable interests held as partnership property at the time of the disqualifying event, and
- (b) the extent to which any chargeable interest held as partnership property at that time becomes used or held for purposes other than qualifying charitable purposes.”.
- (9) After paragraph 2 insert—

*“Interpretation*

- 3 (1) There is a transfer of an interest in a partnership for the purposes of this Schedule if there is such a transfer for the purposes of Part 3 of Schedule 15 (see paragraph 36 of that Schedule).
- (2) Paragraph 34 (1) of Schedule 15 (meaning of references to partnership property) applies for the purposes of this Schedule as it applies for the purposes of Part 3 of that Schedule.”.

**Acquisition of interest in partnership not chargeable except as specially provided**

- 29 Except as provided by—
- (a) paragraph 10 (transfer of chargeable interest to a partnership), or
- (b) paragraph 14 (transfer of partnership interest: consideration given and chargeable interest held), or
- (c) paragraph 17 (transfer of partnership interest pursuant to earlier arrangements),
- the acquisition of an interest in a partnership is not a chargeable transaction, notwithstanding that the partnership property includes land.

**Transactions that are not notifiable**

- 30 (1) A transaction which is a chargeable transaction by virtue of paragraph 14 or 17 (transfer of partnership interest) is a notifiable transaction if (but only if) the consideration for the transaction exceeds the zero rate threshold.
- (2) The consideration for a transaction exceeds the zero rate threshold if either or both of the following conditions are met—

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- (a) the relevant consideration for the purposes of section 55 (amount of tax chargeable: general) is such that the rate of tax chargeable under that section is 1% or higher;
- (b) the relevant rental value for the purposes of Schedule 5 (amount of tax chargeable: rent) is such that the rate of tax chargeable under that Schedule is 1% or higher.

### **Stamp duty on transfers of partnership interests: continued application**

- 31 (1) Nothing in section 125 (abolition of stamp duty except in relation to stock or marketable securities), or in Part 2 of Schedule 20 (amendments and repeals consequential on that section), affects the application of the enactments relating to stamp duty in relation to an instrument by which a transfer of an interest in a partnership is effected.
- (2) In Part 1 of Schedule 20 (provisions supplementing section 125) references to stock or marketable securities shall be read as including any property that is the subject-matter of a transaction by which an interest in a partnership is transferred.
- (3) In their application in relation to an instrument by which a transfer of an interest in a partnership is effected, the enactments relating to stamp duty have effect subject to paragraphs 32 and 33.

### **Stamp duty on transfers of partnership interests: modification**

- 32 (1) This paragraph applies where—
- (a) stamp duty under Part 1 of Schedule 13 to the Finance Act 1999 (transfer on sale) is chargeable on an instrument effecting a transfer of an interest in a partnership, and
  - (b) the relevant partnership property includes a chargeable interest.
- (2) The “relevant partnership property”, in relation to a transfer of an interest in a partnership, is every chargeable interest held as partnership property immediately after the transfer, other than any interest that was transferred to the partnership in connection with the transfer.
- (3) The consideration for the transaction shall (subject to sub-paragraph (8)) be taken to be equal to the actual consideration for the transaction less the excluded amount.
- (4) The excluded amount is a proportion of the net market value of the relevant partnership property immediately after the transfer.
- (5) That proportion is—
- (a) if the person acquiring the interest in the partnership was not a partner before the transfer, his partnership share immediately after the transfer;
  - (b) if he was a partner before the transfer, the difference between his partnership share before and after the transfer.
- (6) The net market value of a chargeable interest at a particular date is—

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## MV – SL

where—

MV is the market value of the chargeable interest at that date, and

SL is the amount outstanding at that date on any loan secured solely on the chargeable interest.

- (7) If, in relation to a chargeable interest, SL is greater than MV, the net market value of the chargeable interest shall be taken to be nil.
  - (8) If the excluded amount is greater than the actual consideration for the transaction, the consideration for the transaction shall be taken to be nil.
  - (9) Where this paragraph applies in relation to an instrument, the instrument shall not be regarded as duly stamped unless it has been stamped in accordance with section 12 of the Stamp Act 1891.
- 33 (1) This paragraph applies where—
- (a) stamp duty under Part 1 of Schedule 13 to the Finance Act 1999 (transfer on sale) is chargeable on an instrument effecting a transfer of an interest in a partnership, and
  - (b) the relevant partnership property includes stock or marketable securities.
- (2) The relevant partnership property, in relation to a transfer of an interest in a partnership, is the partnership property immediately after the transfer, other than any partnership property that was transferred to the partnership in connection with the transfer.
- (3) The stamp duty chargeable on the instrument shall not exceed the stamp duty that would be chargeable if—
- (a) the instrument were an instrument effecting a transfer of the stock and marketable securities comprised in the relevant partnership property, and
  - (b) the consideration for the transfer were equal to the net market value of that stock and those securities immediately after the transfer, less the excluded amount.
- (4) The excluded amount is a proportion of the net market value of that stock and those securities immediately after the transfer.
- (5) That proportion is—
- (a) if the person acquiring the interest in the partnership was not a partner before the transfer, his partnership share immediately after the transfer;
  - (b) if he was a partner before the transfer, the difference between his partnership share before and after the transfer.
- (6) The net market value of stock or securities at a particular date is—

## MV – SL

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where—

MV is the market value of the stock or securities at that date, and

SL is the amount outstanding at that date on any loan secured solely on the stock or securities.

- (7) If, in relation to any stock or securities, SL is greater than MV, the net market value of the stock or securities shall be taken to be nil.
- (8) Where this paragraph applies in relation to an instrument, the instrument shall not be regarded as duly stamped unless it has been stamped in accordance with section 12 of the Stamp Act 1891.
- (9) This paragraph shall be construed as one with the Stamp Act 1891.

**Interpretation: partnership property and partnership share**

- 34 (1) Any reference in this Part of this Schedule to partnership property is to an interest or right held by or on behalf of a partnership, or the members of a partnership, for the purposes of the partnership business.
- (2) Any reference in this Part of this Schedule to a person's partnership share at any time is to the proportion in which he is entitled at that time to share in the income profits of the partnership.

**Interpretation: transfer of chargeable interest to a partnership**

- 35 For the purposes of this Part of this Schedule, there is a transfer of a chargeable interest to a partnership in any case where a chargeable interest becomes partnership property.

**Interpretation: transfer of interest in a partnership**

- 36 For the purposes of this Part of this Schedule, there is a transfer of an interest in a partnership where arrangements are entered into under which—
  - (a) a partner transfers the whole or part of his interest as partner to another person (who may be an existing partner), or
  - (b) a person becomes a partner and an existing partner reduces his interest in the partnership or ceases to be a partner.

**Interpretation: transfer of chargeable interest from a partnership**

- 37 For the purposes of this Part of this Schedule, there is a transfer of a chargeable interest from a partnership in any case where—
  - (a) a chargeable interest that was partnership property ceases to be partnership property, or
  - (b) a chargeable interest is granted or created out of partnership property and the interest is not partnership property.

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### **Interpretation: market value of leases**

- 38 (1) This paragraph applies in relation to a lease for the purposes of this Part of this Schedule if—
- (a) the grant of the lease is or was a transaction to which paragraph 10 applies or applied (or a transaction to which paragraph 10 would have applied if that paragraph had been in force at the time of the grant), or
  - (b) the grant of the lease is a transaction to which paragraph 18 applies.
- (2) In determining the market value of the lease, an obligation of the tenant under the lease is to be taken into account if (but only if)—
- (a) it is an obligation such as is mentioned in paragraph 10 (1) of Schedule 17A, or
  - (b) it is an obligation to make a payment to a person.

### **Interpretation: connected persons**

- 39 (1) Section 839 of the Taxes Act 1988 (connected persons) has effect for the purposes of this Part of this Schedule.
- (2) As applied by sub-paragraph (1), that section has effect with the omission of subsection (4) (partners connected with each other).

### **Interpretation: arrangements**

- 40 In this Part of this Schedule “arrangements” includes any scheme, agreement or understanding, whether or not legally enforceable.”.
- 2 The following amendments are consequential on the amendment made by paragraph 1—
- (a) in section 104(2) of the Finance Act 2003 (c. 14) (partnerships), for the words following “Part 3” substitute “ makes special provision for certain transactions ”;
  - (b) in section 125(8) of that Act (continued application of stamp duty in relation to certain partnership transactions), for “paragraph 13(2) and (3)” substitute “ paragraph 31 ”;
  - (c) in paragraph 5 of Schedule 15 to that Act (partnerships: introduction to Part 2 of Schedule 15), for the words following “Part 3 of this Schedule” substitute “ (transactions to which special provisions apply) ”.
- 3 (1) The preceding provisions of this Schedule have effect in relation to any partnership transaction of which the effective date (within the meaning of Part 4 of the Finance Act 2003 (c. 14)) is after the day on which this Act is passed.
- (2) “Partnership transaction” means a transaction mentioned in paragraph 9 (1) of Schedule 15 to the Finance Act 2003 (as substituted by paragraph 1 of this Schedule).

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## SCHEDULE 42

Section 326

## REPEALS

## PART 1

## EXCISE DUTIES

## (1) HYDROCARBON OIL ETC DUTIES

<i>Short title and chapter</i>	<i>Extent of repeal</i>
Hydrocarbon Oil Duties Act 1979 (c. 5)	In section 6AA(2), the word “or” preceding paragraph (b). In section 20AAB(3), “or (2)”. Schedule 2A.
1 The repeal in section 6AA(2) of the Hydrocarbon Oil Duties Act 1979 has effect in accordance with section 11(2) of this Act.	
2 The other repeals have effect in accordance with section 9(4) of this Act.	

## (2) GENERAL BETTING DUTY

<i>Short title and chapter</i>	<i>Extent of repeal</i>
Betting and Gaming Duties Act 1981 (c. 63)	In section 7B(2)(b), the words “the bet is made otherwise than by means of a totalisator and”. In section 12(4), the definition of “sponsored pool betting”. In Schedule 1, in paragraph 10(1), the words “, or that facilities for sponsored pool betting on those events are being or are to be provided.”.

These repeals have effect in accordance with section 15(10) of this Act.

## PART 2

## INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

## (1) TRANSFER PRICING

<i>Short title and chapter</i>	<i>Extent of repeal</i>
Income and Corporation Taxes Act 1988 (c. 1)	In section 494— (a) in subsection (2), paragraph (d) and the word “and” preceding it, and the third sentence; (b) subsection (2B). In Schedule 24, paragraph 20.

These repeals have effect in accordance with section 37 of this Act.



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	In Schedule 28AA— (a) in paragraph 5, in sub-paragraph (1), the words “(but subject to sub-paragraph (2) below)” and sub-paragraphs (2) to (6); (b) in paragraph 11, sub-paragraph (2), in sub-paragraph (3), paragraph (e) and the word “and” preceding it and, in sub-paragraph (4), the words “(2) or”.
Finance Act 1998 (c. 36)	In Schedule 17, paragraph 24.
Finance Act 2002 (c. 23)	In Schedule 29, in paragraph 92(3), paragraph (c) and the word “and” preceding it.
Finance Act 2003 (c. 14)	In Schedule 33, paragraph 13(10).

These repeals have effect in accordance with section 37 of this Act.

## (2) THIN CAPITALISATION

<i>Short title and chapter</i>	<i>Extent of repeal</i>
Income and Corporation Taxes Act 1988 (c. 1)	Section 74(1)(n). In section 209— (a) in subsection (2), paragraph (da) and, in paragraph (e), the words “or (da)”; (b) in subsection (3), the words “, (da)”; (c) in subsection (3A)(a), the words “, (da)”; (d) subsections (8A) to (8F). In section 212— (a) in subsection (1)(b), the words “paragraph (da) of section 209(2) or”; (b) in subsection (3), the words “Without prejudice to subsection (4) below,” and the words from “and does not apply” to the end of the subsection; (c) subsection (4). Section 710(3)(a). In section 730A(5), the words “and (da)”
Finance Act 1995 (c. 4)	Section 87(1), (3), (4) and (5).
Finance Act 1996 (c. 8)	In Schedule 9, in paragraph 11A— (a) sub-paragraphs (2)(a) and (3)(a) ; (b) in sub-paragraph (3)(b), the words “in a case falling within paragraph (b) of that sub-paragraph,”; (c) in sub-paragraph (5)(b), the words “the terms would have been the same, except that”.

These repeals have effect in accordance with section 37 of this Act.

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### (3) EXPENSES: COMPANIES WITH INVESTMENT BUSINESS AND INSURANCE COMPANIES

<i>Short title and chapter</i>	<i>Extent of repeal</i>
Income and Corporation Taxes Act 1988 (c. 1)	In section 77(1), the words from “and the incidental costs” onwards.
Finance Act 1989 (c. 26)	In section 85(2), the word “or” at the end of paragraph (a) and paragraphs (c) to (d). Section 86(5), (5A) and (7).
Finance Act 1990 (c. 29)	Section 44. In Schedule 7, paragraph 1.
Finance Act 1991 (c. 31)	Section 47. In Schedule 7, paragraph 13(1).
Finance Act 1995 (c. 4)	In Schedule 8, paragraphs 7 and 23(3).
Finance Act 1996 (c. 8)	Section 164(1), (2) and (6). In Schedule 11, in paragraph 4(3), the word “net”. In Schedule 14, paragraph 8. In Schedule 31, paragraph 3 (1) and (2).
Finance Act 1997 (c. 16)	Section 67(4)(a).
Finance (No. 2) Act 1997 (c. 58)	In Schedule 3, paragraph 1. In Schedule 6, paragraph 2.
Finance Act 1998 (c. 36)	In Schedule 3, paragraph 9. In Schedule 7, in paragraph 1 the words “86(2) definition of “deductible”, ”.
Finance Act 2000 (c. 17)	In Schedule 27, paragraph 7.
Capital Allowances Act 2001 (c. 2)	In Schedule 2, paragraphs 15 and 70.
Finance Act 2001 (c. 9)	In Schedule 23, paragraph 2.
Finance Act 2003 (c. 14)	In Schedule 33, paragraphs 6(6), 8 (1) and 12(1).

These repeals have effect in accordance with section 42 of this Act.

### (4) LOAN RELATIONSHIPS

<i>Short title and chapter</i>	<i>Extent of repeal</i>
Finance Act 1996 (c. 8)	In Schedule 9— (a) paragraph 18(3A); (b) in paragraph 20(1), paragraph (c) and the word “and” preceding it; (c) paragraph 20(2).

These repeals have effect in accordance with Schedule 8 to this Act.

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## (5) DERIVATIVE CONTRACTS

<i>Short title and chapter</i>	<i>Extent of repeal</i>
Finance Act 2002 (c. 23)	In Schedule 26, in paragraph 33(4)(b), the words “issued by the Financial Services Authority”.

This repeal has effect in accordance with Schedule 9 to this Act.

## (6) AMENDMENT OF ENACTMENTS THAT OPERATE BY REFERENCE TO ACCOUNTING PRACTICE

<i>Short title and chapter</i>	<i>Extent of repeal</i>
Income and Corporation Taxes Act 1988 (c. 1)	In section 730A(6), paragraph (b) (but not the word “and” following it). Section 730BB(12).
Finance Act 1996 (c. 8)	In section 84— (a) in subsection (1) the words “in accordance with an authorised accounting method”; (b) subsections (2) and (4A). Section 84A(4) to (7). Section 88(2)(b) and (3)(b). Section 88A(5). Section 90. Sections 92 to 94 Section 96(3). In section 103(1)— (a) the definition of “authorised accounting method”, “authorised accruals basis of accounting” and “authorised mark to market basis of accounting”; (b) the definition of “statutory accounts”. Section 103(5). In Schedule 9— (a) paragraph 5 (1) to (2A); (b) in paragraph 5A(9), the words “by virtue of paragraph 5(2) above”; (c) in paragraph 5A(15), the words “under paragraph 5(1)”; (d) in paragraph 6(2), the words “in accordance with that accounting method”;

1 These repeals have effect in accordance with section 52(3) of this Act.

2 The repeals of section 92 of the Finance Act 1996, section 65(7) of the Finance Act 1999 and sections 72 and 73 of, and paragraph 5 of Schedule 23 to, the Finance Act 2002 have effect subject to the provisions of paragraph 9(2) and (3) of Schedule 10 to this Act.

3 The repeals of sections 93, 93A and 93B of the Finance Act 1996 and sections 75 to 77 of, and paragraph 18 of Schedule 27 to, the Finance Act 2002 have effect subject to the provisions of paragraph 11(2) and (3) of Schedule 10 to this Act.

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	<ul style="list-style-type: none"> <li>(e) in paragraph 6C(2), the words “by virtue of paragraph 5(2) above”;</li> <li>(f) in paragraph 9(2), the word “or” at the end of paragraph (b) ;</li> <li>(g) paragraph 10A(5);</li> <li>(h) in paragraph 12(2A), paragraph (b) and the word “and” preceding it;</li> <li>(i) in paragraph 13(1), the words “given by the authorised accounting method used”;</li> <li>(j) in paragraph 14(1), the words “given by an authorised accounting method”;</li> <li>(k) in paragraph 16(2), the words “, notwithstanding the provisions of any authorised accounting method.”;</li> <li>(l) paragraph 19(10).</li> </ul>
	In Schedule 10, in paragraphs 2A (1) and 2B (1), the words “, notwithstanding section 84(2)(b) of this Act”.
Finance Act 1997 (c. 16)	Section 83 (1) to (5).
Finance Act 1999 (c. 16)	Section 65(7).
Capital Allowances Act 2001 (c. 1)	In Schedule 2, paragraphs 88 and 89.
Finance Act 2002 (c. 23)	Sections 72 to 77. In section 103(4)—
	<ul style="list-style-type: none"> <li>(a) in paragraph (b), the words “93(2),”;</li> <li>(b) in paragraph (d), the words “sections 84(2)(b) and 85(2)(a),”.</li> </ul>
	In Schedule 23, paragraphs 4, 5 and 8.
	In Schedule 24, paragraphs 1 to 6.
	In Schedule 25, paragraphs 4 to 6, 10 and 12.
	In Schedule 26—
	<ul style="list-style-type: none"> <li>(a) in paragraph 15(1), the words “in accordance with an authorised accounting method and”;</li> <li>(b) paragraph 15(2), (3) and (6);</li> <li>(c) paragraph 16(4) to (7);</li> <li>(d) paragraph 22 (1) to (4);</li> <li>(e) in paragraph 22(5), paragraph (b) and the word “and” preceding it;</li> <li>(f) paragraph 22A(5);</li> <li>(g) in paragraph 23(2) and (3), the words “given by the authorised accounting method used”;</li> </ul>
<hr/>	
1	These repeals have effect in accordance with section 52(3) of this Act.
2	The repeals of section 92 of the Finance Act 1996, section 65(7) of the Finance Act 1999 and sections 72 and 73 of, and paragraph 5 of Schedule 23 to, the Finance Act 2002 have effect subject to the provisions of paragraph 9(2) and (3) of Schedule 10 to this Act.
3	The repeals of sections 93, 93A and 93B of the Finance Act 1996 and sections 75 to 77 of, and paragraph 18 of Schedule 27 to, the Finance Act 2002 have effect subject to the provisions of paragraph 11(2) and (3) of Schedule 10 to this Act.

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- (h) in paragraph 25(1), the words “given by an authorised accounting method”;
- (i) in paragraph 31A(2), the words “, notwithstanding the provisions of any authorised accounting method.”;
- (j) in paragraphs 32 (1) and 33 (1), the words “, notwithstanding paragraph 15”;
- (k) paragraph 52;
- (l) in paragraph 54 (1) the definitions of “authorised accounting method”, “authorised accruals basis of accounting” and “authorised mark to market basis of accounting” and of “statutory accounts”.

In Schedule 27, paragraph 18.

Finance Act 2003 (c. 14)

In Schedule 27, paragraph 3.

- 1 These repeals have effect in accordance with section 52(3) of this Act.
- 2 The repeals of section 92 of the Finance Act 1996, section 65(7) of the Finance Act 1999 and sections 72 and 73 of, and paragraph 5 of Schedule 23 to, the Finance Act 2002 have effect subject to the provisions of paragraph 9(2) and (3) of Schedule 10 to this Act.
- 3 The repeals of sections 93, 93A and 93B of the Finance Act 1996 and sections 75 to 77 of, and paragraph 18 of Schedule 27 to, the Finance Act 2002 have effect subject to the provisions of paragraph 11(2) and (3) of Schedule 10 to this Act.

## (7) CONSTRUCTION INDUSTRY SCHEME

<i>Short title and chapter</i>	<i>Extent of repeal</i>
Taxes Management Act 1970 (c. 9)	In section 98, in the Table— <ul style="list-style-type: none"><li>(a) in the first column, the entry relating to section 561(8) of the Income and Corporation Taxes Act 1988;</li><li>(b) in the second column, the entry relating to regulations under section 566(1), (2) or (2A) of that Act.</li></ul>
Income and Corporation Taxes Act 1988 (c. 1)	In Part 13, Chapter 4.
Companies Act 1989 (c. 40)	Section 139(5). In Schedule 10, paragraph 38(3).
Finance Act 1994 (c. 9)	In Schedule 17, paragraph 5.
Finance Act 1995 (c. 4)	Section 139. Schedule 27.
Finance Act 1996 (c. 8)	Section 72(3). Section 178.
Finance Act 1997 (c. 16)	Section 54(5).
Finance Act 1998 (c. 36)	Section 55(2).

These repeals have effect in accordance with section 77 of this Act.

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	Section 57. Schedule 8.
Government of Wales Act 1998 (c. 38)	In Schedule 16, paragraph 58.
Finance Act 1999 (c. 16)	Section 53.
Finance Act 2002 (c. 23)	In section 40— (a) subsection (1), (b) subsection (3), and (c) in subsection (4), the second sentence.
Income Tax (Earnings and Pensions) Act 2003 (c. 1)	In Schedule 6, paragraphs 58, 59, 60 and 61.
Finance Act 2003 (c. 14)	Section 147(1).

These repeals have effect in accordance with section 77 of this Act.

#### (8) EXEMPTION FOR LOANED COMPUTERS

<i>Short title and chapter</i>	<i>Extent of repeal</i>
Income Tax (Earnings and Pensions) Act 2003 (c. 1)	Section 320(4) and (5).

This repeal has effect in accordance with section 79(4) of this Act.

#### (9) VANS

<i>Short title and chapter</i>	<i>Extent of repeal</i>
Income Tax (Earnings and Pensions) Act 2003 (c. 1)	In section 114(2), the word “and” following paragraph (b). In section 171, in subsection (2), the words “or van” and, in subsection (3), the words “or a van”. In Part 2 of Schedule 1, in the entry relating to the age of a car or van (in Chapter 6 of Part 3) and in the entry relating to the date of first registration (in relation to a car or van) (in Chapter 6 of Part 3), the words “or van”. In Part 3 of Schedule 7, paragraph 24.

The repeals in section 171 of, and Schedule 1 to, the Income Tax (Earnings and Pensions) Act 2003 have effect for the year 2007-08 and subsequent years of assessment and the other repeals have effect for the year 2005-06 and subsequent years of assessment.

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(10) INCOME TAX RELIEF WHERE NATIONAL  
INSURANCE CONTRIBUTIONS MET BY EMPLOYEE

<i>Short title and chapter</i>	<i>Extent of repeal</i>
Taxation of Chargeable Gains Act 1992 (c. 12)	Section 119A(8).
Income Tax (Earnings and Pensions) Act 2003 (c. 1)	Section 480(7). In section 484(7), the definition of “the Contributions and Benefits Act” and the word “and” preceding it.
Finance Act 2003 (c. 14)	In Schedule 23, in paragraphs 21(4) and 22C(4), the words “increased by any amounts deducted under sections 481 and 482 of that Act”.

1 These repeals come into force in accordance with section 85(2) of this Act.  
2 The repeal of section 119A(8) of the Taxation of Chargeable Gains Act 1992 has effect subject to paragraph 6(4) of Schedule 16 to this Act.  
3 The repeals in paragraphs 21(4) and 22C(4) of Schedule 23 to the Finance Act 2003 have effect subject to paragraph 5(6) of Schedule 16 to this Act.

(11) EMPLOYMENT-RELATED SECURITIES AND OPTIONS: OTHER PROVISIONS

<i>Short title and chapter</i>	<i>Extent of repeal</i>
Income Tax (Earnings and Pensions) Act 2003 (c. 1)	Section 421G. Section 429(5). Section 443(5). Section 446R(5). Section 449(4). In section 519(1), the word “and” at the end of paragraph (a). In section 524(1), the word “and” at the end of paragraph (a). Section 701(2)(c)(ii).
Finance Act 2003 (c. 14)	In Schedule 21, paragraph 18(4).

1 The repeals in sections 429, 443, 446R and 449 of the Income Tax (Earnings and Pensions) Act 2003 have effect in accordance with section 86(8) of this Act.  
2 The remaining repeals have effect in accordance with section 88(11) of this Act.

(12) MINOR AMENDMENTS OF OR CONNECTED WITH  
THE INCOME TAX (EARNINGS AND PENSIONS) ACT 2003

<i>Short title and chapter</i>	<i>Extent of repeal</i>
	1 The repeals of paragraph 5(1ZA) of Schedule 20 to the Finance Act 2000, paragraph 5(1A) of Schedule 22 to the Finance Act 2001 and paragraph 245 of Schedule 6 to the Income Tax (Earnings and Pensions) Act 2003 have effect in accordance with paragraph 7(3) of Schedule 17 to this Act. 2 The repeal of paragraph 166(3) of Schedule 6 to the Income Tax (Earnings and Pensions) Act 2003 has effect in accordance with paragraph 5(2) of Schedule 17 to this Act.

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Finance Act 2000 (c. 17)	In Schedule 20, paragraph 5(1ZA).
Finance Act 2001 (c. 9)	In Schedule 22, paragraph 5(1A).
Income Tax (Earnings and Pensions) Act 2003 (c. 1)	Section 577(3). In section 677(1), in Part 2 of Table B, the entry relating to compensation payments where child support reduced because of a change in legislation. In Schedule 6— (a) paragraph 166(3); (b) paragraph 245.
1	The repeals of paragraph 5(1ZA) of Schedule 20 to the Finance Act 2000, paragraph 5(1A) of Schedule 22 to the Finance Act 2001 and paragraph 245 of Schedule 6 to the Income Tax (Earnings and Pensions) Act 2003 have effect in accordance with paragraph 7(3) of Schedule 17 to this Act.
2	The repeal of paragraph 166(3) of Schedule 6 to the Income Tax (Earnings and Pensions) Act 2003 has effect in accordance with paragraph 5(2) of Schedule 17 to this Act.

### (13) ENTERPRISE INCENTIVES

<i>Short title and chapter</i>	<i>Extent of repeal</i>
Income and Corporation Taxes Act 1988 (c. 1)	In section 289(1)(a), the words “wholly in cash”. In section 289A(8)(b), the words “it is shown that”. In section 293(4A), the words “which is in administration or receivership”. Section 303A(6)(a). In section 308— (a) in subsection (1)(a), the words from “and, except” to “relevant period”, (b) subsection (2)(a) to (c), (c) in subsection (3)(a), the words “it is shown that”, (d) subsection (3)(b) and the word “and” immediately preceding it,
1	The repeal in section 303A of the Taxes Act 1988 has effect in accordance with paragraph 8(2) of Schedule 18 to this Act.
2	The repeals in Schedule 28B to the Taxes Act 1988, and in section 73 of the Finance Act 1998, have effect in accordance with paragraph 16 of Schedule 19 to this Act.
3	The repeals of section 151A(3) of, in paragraph 2(4) of Schedule 5B to, and of Schedule 5C to, the Taxation of Chargeable Gains Act 1992, and the repeals in the Finance Act 1995, have effect in accordance with paragraph 7 of Schedule 19 to this Act.
4	The repeal in paragraph 14A of Schedule 5B to the Taxation of Chargeable Gains Act 1992 has effect in accordance with paragraph 18(2) of Schedule 18 to this Act.
5	The repeals in the Income Tax (Earnings and Pensions) Act 2003 have effect in accordance with section 96 of this Act.
6	The remaining repeals have effect in relation to shares issued on or after 17th March 2004.



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- (e) in subsection (4), the words “within the relevant period” and “it is shown that”,
  - (f) subsection (5).
- In Schedule 28B—
- (a) in paragraph 3(3), the words from “and for the purposes” to the end,
  - (b) paragraph 6(5),
  - (c) paragraph 10(3)(a) to (c),
  - (d) in paragraph 10(4), the words “it is shown”, the first “that” in paragraph (a) and the word “that” in paragraph (b),
  - (e) in paragraph 10(5), the words “it is shown that”,
  - (f) paragraph 10(6),
  - (g) in paragraph 11(4), the words “it is shown”, the first “that” in paragraph (a) and the word “that” in paragraph (b).
- Taxation of Chargeable Gains Act 1992 (c. 12)
- Section 151A(3).  
In Schedule 5B—
- (a) in paragraph 1(2)(a), the words “wholly in cash”,
  - (b) in paragraph 2(4), the words “or Schedule 5C”,
  - (c) paragraph 14A(6)(a).
- Schedule 5C.
- Finance Act 1995 (c. 4)
- Section 72(4).  
Schedule 16.
- Finance Act 1998 (c. 36)
- In section 73—
- (a) subsection (2),
  - (b) in subsection (3), the words from “and after paragraph (b)” to the end,
  - (c) in subsection (4), the words from “and after” to the end.
- In Schedule 13—
- (a) paragraph 1(1)(a),
  - (b) paragraph 21.

- 1 The repeal in section 303A of the Taxes Act 1988 has effect in accordance with paragraph 8(2) of Schedule 18 to this Act.
- 2 The repeals in Schedule 28B to the Taxes Act 1988, and in section 73 of the Finance Act 1998, have effect in accordance with paragraph 16 of Schedule 19 to this Act.
- 3 The repeals of section 151A(3) of, in paragraph 2(4) of Schedule 5B to, and of Schedule 5C to, the Taxation of Chargeable Gains Act 1992, and the repeals in the Finance Act 1995, have effect in accordance with paragraph 7 of Schedule 19 to this Act.
- 4 The repeal in paragraph 14A of Schedule 5B to the Taxation of Chargeable Gains Act 1992 has effect in accordance with paragraph 18(2) of Schedule 18 to this Act.
- 5 The repeals in the Income Tax (Earnings and Pensions) Act 2003 have effect in accordance with section 96 of this Act.
- 6 The remaining repeals have effect in relation to shares issued on or after 17th March 2004.

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Finance Act 2000 (c. 17)	In Schedule 15— (a) paragraph 21(2)(a) to (c), (b) in paragraph 24(1), the words “which is in administration or receivership”.
Income Tax (Earnings and Pensions) Act 2003 (c. 1)	In Schedule 5, paragraph 11(2)(a) to (c) and (3).

- 1 The repeal in section 303A of the Taxes Act 1988 has effect in accordance with paragraph 8(2) of Schedule 18 to this Act.
- 2 The repeals in Schedule 28B to the Taxes Act 1988, and in section 73 of the Finance Act 1998, have effect in accordance with paragraph 16 of Schedule 19 to this Act.
- 3 The repeals of section 151A(3) of, in paragraph 2(4) of Schedule 5B to, and of Schedule 5C to, the Taxation of Chargeable Gains Act 1992, and the repeals in the Finance Act 1995, have effect in accordance with paragraph 7 of Schedule 19 to this Act.
- 4 The repeal in paragraph 14A of Schedule 5B to the Taxation of Chargeable Gains Act 1992 has effect in accordance with paragraph 18(2) of Schedule 18 to this Act.
- 5 The repeals in the Income Tax (Earnings and Pensions) Act 2003 have effect in accordance with section 96 of this Act.
- 6 The remaining repeals have effect in relation to shares issued on or after 17th March 2004.

#### (14) CHARGEABLE GAINS: GIFTS RELIEF ETC

<i>Short title and chapter</i>	<i>Extent of repeal</i>
Taxation of Chargeable Gains Act 1992 (c. 12)	Section 260(6A) and (6B). In section 281(3)(c), the words “nor dealt in on the Unlisted Securities Market”.
Finance Act 1995 (c. 4)	Section 72(6). In Schedule 13, paragraph 4(2).
<ol style="list-style-type: none"> <li>1 The repeals in section 260 of the Taxation of Chargeable Gains Act 1992 and in the Finance Act 1995 have effect in accordance with paragraph 10(8) of Schedule 21 to this Act.</li> <li>2 The repeal in section 281 of the Taxation of Chargeable Gains Act 1992 has effect in relation to disposals on or after the passing of this Act.</li> </ol>	

#### (15) CHARGEABLE GAINS: PRIVATE RESIDENCE RELIEF

<i>Short title and chapter</i>	<i>Extent of repeal</i>
Taxation of Chargeable Gains Act 1992 (c. 12)	In section 223(4)(a), the words “or those provisions as applied by section 225”.
This repeal has effect in accordance with paragraph 7(2) of Schedule 22 to this Act.	

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## (16) MANUFACTURED DIVIDENDS

<i>Short title and chapter</i>	<i>Extent of repeal</i>
Income and Corporation Taxes Act 1988 (c. 1)	In Schedule 23A, in paragraph 2A— (a) in sub-paragraph (1A), paragraph (a), paragraph (c) and the word “or” before it and the words following paragraph (c) ; (b) in sub-paragraph (1B), paragraph (c) and the word “or” before it; (c) in sub-paragraph (4), in paragraph (a), the words “or corporation tax” and in paragraph (b), the words “or, as the case may be, total profits”.
Finance Act 2002 (c. 23)	Section 108(2).
1 The repeal of paragraph 2A(1A)(a) of Schedule 23A to the Taxes Act 1988 has effect in accordance with paragraph 2(7) of Schedule 24 to this Act.	
2 The other repeals in paragraph 2A(1A) of Schedule 23A to the Taxes Act 1988 and the repeals in paragraph 2A(1B) of that Schedule have effect in accordance with paragraph 2(11) of Schedule 24 to this Act.	
3 The repeal of section 108(2) of the Finance Act 2002 has effect in accordance with paragraph 2(7) and (9) of Schedule 24 to this Act.	

## (17) LIFE POLICIES ETC.: RESTRICTION OF CORRESPONDING DEFICIENCY RELIEF

<i>Short title and chapter</i>	<i>Extent of repeal</i>
Finance Act 2001 (c. 9)	In Schedule 28, paragraph 13.
This repeal has effect in accordance with section 140(4) to (6) of this Act.	

## (18) OFFSHORE FUNDS

<i>Short title and chapter</i>	<i>Extent of repeal</i>
Income and Corporation Taxes Act 1988 (c. 1)	Section 759 (1) and (1A). In section 760— (a) in subsection (3), paragraphs (b) to (d) and the word “or” preceding paragraph (b) ; (b) subsections (4) to (7). In Schedule 27— (a) paragraph 10; (b) in paragraph 11 (1) and (4), the words “section 760(3) and”; (c) paragraphs 12 and 13;
1 These repeals have effect in accordance with section 145(2) of this Act.	
2 The repeal of paragraph 3 of Schedule 10 to the Finance Act 1996 has effect subject to paragraph 1(3) and (4) of Schedule 26 to this Act.	
3 The repeal of paragraph 35 of Schedule 26 to the Finance Act 2002 has effect subject to paragraph 2(3) and (4) of Schedule 26 to this Act.	

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	(d) in paragraph 16(1), the words “by a trustee or officer thereof”.
Taxation of Chargeable Gains Act 1992 (c. 12)	In Schedule 10, paragraph 14(46).
Finance Act 1995 (c. 4)	Section 134 (1) to (3) and (8).
Finance Act 1996 (c. 8)	In Schedule 10, paragraph 3.
Finance Act 2002 (c. 23)	In Schedule 26, paragraph 35.

- 1 These repeals have effect in accordance with section 145(2) of this Act.
- 2 The repeal of paragraph 3 of Schedule 10 to the Finance Act 1996 has effect subject to paragraph 1(3) and (4) of Schedule 26 to this Act.
- 3 The repeal of paragraph 35 of Schedule 26 to the Finance Act 2002 has effect subject to paragraph 2(3) and (4) of Schedule 26 to this Act.

(19) MEANING OF “OFFSHORE INSTALLATION”

<i>Short title and chapter</i>	<i>Extent of repeal</i>
Income and Corporation Taxes Act 1988 (c. 1)	In section 298(5), the definition of “oil rig”. In paragraph 5 (1) of Schedule 28B, the definition of “oil rig”.
Finance Act 2000 (c. 17)	In paragraph 28(6) of Schedule 15, the definition of “oil rig”. In Schedule 22, paragraph 20(5).
Capital Allowances Act 2001 (c. 2)	Section 94(2)(b) and (3). Section 153(3).
Income Tax (Earnings and Pensions) Act 2003 (c. 1)	In section 305(6), the definition of “offshore installation”. In paragraph 18(8) of Schedule 5, the definition of “oil rig”.

- 1 The repeal in section 298 of the Taxes Act 1988 has effect in accordance with paragraph 4(5) and (6) of Schedule 27 to this Act.
- 2 The repeal in Schedule 28B to the Taxes Act 1988 has effect in accordance with paragraph 5(5) and (6) of Schedule 27 to this Act.
- 3 The repeal in Schedule 15 to the Finance Act 2000 has effect in accordance with paragraph 6(5) and (6) of Schedule 27 to this Act.
- 4 The repeal in Schedule 22 to the Finance Act 2000 has effect in accordance with paragraph 7(2) of Schedule 27 to this Act.
- 5 The repeals in the Capital Allowances Act 2001 have effect in accordance with paragraph 11 (1) of Schedule 27 to this Act.
- 6 The repeal in section 305 of the Income Tax (Earnings and Pensions) Act 2003 has effect in accordance with paragraph 16 of Schedule 27 to this Act.
- 7 The repeal in Schedule 5 to the Income Tax (Earnings and Pensions) Act 2003 has effect in accordance with paragraph 17(6) and (7) of Schedule 27 to this Act.

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### PART 3

#### PENSION SCHEMES ETC

<i>Short title and chapter</i>	<i>Extent of repeal</i>
Taxes Management Act 1970 (c. 9)	In section 98, in the Table, in the first and second columns, the entries relating to regulations under section 602, 605, 612, 639 and 651A of the Income and Corporation Taxes Act 1988 and the entries relating to section 605 of that Act. In section 100(6)(a), the word “or” in the second place.
Inheritance Tax Act 1984 (c. 51)	Section 12(3) and (4). In section 58(2), the words “part of or” and the words “fund or” (in both places). Section 151 (1) and (1A).
Finance (No.2) Act 1987 (c. 51)	Section 98.
Income and Corporation Taxes Act 1988 (c. 1)	In section 21A(2), the entry relating to section 76 of the Finance Act 1989. In section 336(1A)(b), sub-paragraph (iii) and the word “or” before it. Section 349B(3)(l) and (m). Section 438(8). In section 466(2), the definition of “pension business”. Section 512(2). Sections 590 to 594. Sections 598 to 599A. Sections 601 to 612. In section 613(4), the word “respective” and paragraphs (b) to (d). Sections 618 to 626. Section 628. Sections 630 to 640A. Section 641A. Sections 643 to 646D. Sections 648B to 651A. Sections 653 to 655. Section 658A. In section 659A(1), the words “592(2), 608(2)(a),”, the words “, 620(6) and 643(2)” and the words following paragraph (b). Sections 659B to 659D. In section 659E(2), the entries relating to sections 592(2), 608(2)(a), 620(6) and 643(2) of the Income and Corporation Taxes Act 1988. Schedules 22, 23 and 23ZA.

These repeals have effect on 6th April 2006 (but subject to Schedule 36 to this Act).

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	In Schedule 29, in the Table in paragraph 32, the entries relating to sections 12(2), 151 and 152 of the Inheritance Tax Act 1984.
Finance Act 1988 (c. 39)	Sections 54 to 56. In Schedule 3, paragraph 18. In Schedule 13, paragraph 6.
Finance Act 1989 (c. 26)	Sections 75 to 77. Section 170(4)(a) and (b). Schedule 6. Schedule 7. In Schedule 12, paragraphs 15 and 16.
Finance Act 1991 (c. 31)	Sections 34 to 36.
Taxation of Chargeable Gains Act 1992 (c. 12)	Section 99A(4)(c). In section 271— (a) in subsection (1), paragraphs (d), (g), (h) and (j) and the second sentence, (b) subsection (2), (c) in subsection (7), the words after “chargeable gains;”, and (d) in subsection (10), the words after “options contracts”. In Schedule 1, paragraph 2(8). In Schedule 10, paragraph 14(21).
Finance Act 1993 (c. 34)	Section 106. Section 107(4) to (7). Section 112.
Pension Schemes Act 1993 (c. 48)	In Schedule 8, paragraph 20.
Pension Schemes (Northern Ireland) Act 1993 (c. 49)	In Schedule 7, paragraph 22.
Finance Act 1994 (c. 9)	Sections 103 to 107.
Finance Act 1995 (c. 4)	Sections 58 to 61. In Schedule 8, paragraph 4(3). Schedule 11.
Pensions Act 1995 (c. 26)	In Schedule 5, paragraph 12.
Pensions (Northern Ireland) Order 1995 (S.I. 1995/3213 (N.I. 22))	In Schedule 3, paragraph 8.
Finance Act 1996 (c. 8)	Section 172. In Schedule 21, paragraph 17. In Schedule 39, paragraph 2.
Finance Act 1998 (c. 36)	Section 92. Sections 94 to 97. Section 98(1). Schedule 15.

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These repeals have effect on 6th April 2006 (but subject to Schedule 36 to this Act).

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Social Security Contributions (Transfer of Functions, etc.) Act 1999 (c. 2)	In Schedule 1, paragraphs 3 and 4.
Finance Act 1999 (c. 16)	Section 52. In Schedule 5, paragraphs 4 and 5 and, in paragraph 6(2), the words “and 654”. In Schedule 10, paragraphs 1 to 10 and 12 to 18.
Welfare Reform and Pensions Act 1999 (c. 30)	In Schedule 12, paragraph 13.
Finance Act 2000 (c. 17)	Section 61. In Schedule 8, paragraph 83(2). Schedule 13.
Capital Allowances Act 2001 (c. 2)	In Schedule 2, paragraphs 53 and 54.
Finance Act 2001 (c. 9)	Section 74.
Income Tax (Earnings and Pensions) Act 2003 (c. 1)	Section 56(8). Section 224. In section 327(4), the entry relating to section 619 of the Income and Corporation Taxes Act 1988. In Part 6, Chapter 1. Section 407(3). Section 408(2). Section 492(2). In section 566(4), the entry relating to section 623. In Part 9, Chapters 6, 7, 8, 9, 13 and 16. Section 683(4). In Part 2 of Schedule 1, the entries relating to the following expressions: “administrator (in Chapter 2 of Part 6)”, “approved (in Chapter 8 of Part 9)”, “approved (in relation to retirement benefits scheme) (in Chapter 6 of Part 9)”, “approved retirement benefits scheme (in Chapter 6 of Part 9)”, “director (in Chapter 1 of Part 6)”, “employee (in Chapter 1 of Part 6)”, “employee (in Chapter 2 of Part 6)”, “employee (in Chapter 6 of Part 9)”, “employer (in Chapter 1 of Part 6)”, “employment (in Chapter 1 of Part 6)”, “exempt approved scheme (in Chapter 13 of Part 9)”, “ex-spouse (in Chapter 2 of Part 6)”, “ex-spouse (in Chapter 6 of Part 9)”, “former approved superannuation fund (in Chapter 7 of Part 9)”, “income withdrawal (in Chapter 8 of Part 9)”, “non-approved retirement benefits scheme (in Chapter 1 of Part 6)”, “non-approved retirement benefits scheme (in Chapter 2 of Part 6)”, “personal

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These repeals have effect on 6th April 2006 (but subject to Schedule 36 to this Act).

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	pension arrangements (in chapter 8 of Part 9)”, “personal pension scheme (in Chapter 8 of Part 9)”, “provision of benefits in respect of an employee (in Chapter 1 of Part 6)”, “provision of relevant benefits (in Chapter 2 of Part 6)”, “relative (in Chapter 2 of Part 6)”, “relevant benefits (in Chapter 1 of Part 6)”, “relevant benefits (in Chapter 2 of Part 6)”, “relevant statutory scheme (in Chapter 13 of Part 9)”, “retirement annuity contract (in Chapter 9 of Part 9)”, and “retirement benefits scheme (in Chapter 6 of Part 9)”. In Schedule 6, paragraphs 72, 73, 79, 80 (1) to (5), 82, 89, 90, 92 to 95, 97, 98, 99, 125(3) and 161. In Schedule 7, paragraph 41.
Finance Act 2003 (c. 14)	In section 153(2)(a), the words “606(13),”. Section 174. In Schedule 24, in paragraph 2(1), the word “or” at the end of paragraph (a). In Schedule 27, paragraph 1(2).
Finance Act 2004 (c. 12)	In Schedule 17, paragraphs 2 and 10(4).

These repeals have effect on 6th April 2006 (but subject to Schedule 36 to this Act).

## PART 4

### OTHER TAXES

#### (1) INHERITANCE TAX

<i>Short title and chapter</i>	<i>Extent of repeal</i>
[ <sup>F856</sup> Senior Courts Act 1981] (c. 54)	Section 109(3).
Inheritance Tax Act 1984 (c. 51)	Section 256(1)(c) and (2).

- 1 The repeal in section 109 of the [<sup>F856</sup>Senior Courts Act 1981] has effect in accordance with section 294 (4) of this Act.
- 2 The repeals in section 256 of the Inheritance Tax Act 1984 come into force with the passing of this Act.

#### (2) STAMP DUTY LAND TAX

<i>Short title and chapter</i>	<i>Extent of repeal</i>
	1 The repeals in Schedule 10 to the Finance Act 2003 come into force with the passing of this Act.
	2 The repeals in sections 43, 45 and 119 of that Act have effect in accordance with paragraph 13 of Schedule 39 to this Act.
	3 The other repeals have effect in accordance with paragraph 26 of that Schedule.



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Finance Act 2003 (c. 14)	<p>In section 43(3), the word “and” preceding paragraph (c).</p> <p>In section 45(1), the word “and” preceding paragraph (b).</p> <p>In section 47(3), the words from “and section 58” to the end.</p> <p>In section 77(2)(a) and (b), the word “contractual”.</p> <p>In section 80(2), the words “or chargeable”.</p> <p>In section 119(2), the word “and” at the end of the entry for section 44(4).</p> <p>In Schedule 4—</p> <p>(a) in paragraph 5(6), the words from “and section 58” to the end;</p> <p>(b) paragraphs 13 to 15.</p> <p>In Schedule 5—</p> <p>(a) in paragraph 3, the words “(see paragraphs 4 and 5)” and “(see paragraphs 6 and 7)”;</p> <p>(b) paragraphs 4 to 7, 10 and 11.</p> <p>In Schedule 10—</p> <p>(a) paragraph 33(2) and (3);</p> <p>(b) in paragraph 34(2), the words “by notice in writing given to the Inland Revenue”;</p> <p>(c) paragraph 34(3).</p> <p>In Schedule 19, paragraph 6(1).</p>
Finance Act 2004 (c. 12)	<p>In Schedule 39, paragraphs 6 and 11.</p>

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- 1 The repeals in Schedule 10 to the Finance Act 2003 come into force with the passing of this Act.
  - 2 The repeals in sections 43, 45 and 119 of that Act have effect in accordance with paragraph 13 of Schedule 39 to this Act.
  - 3 The other repeals have effect in accordance with paragraph 26 of that Schedule.
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## PART 5

### MISCELLANEOUS MATTERS

#### ENDING OF SHIPBUILDERS RELIEF

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<i>Short title and chapter</i>	<i>Extent of repeal</i>
Finance Act 1966 (c. 18)	Section 2.

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This repeal has effect in accordance with section 323 of this Act.

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**Status:**

Point in time view as at 18/02/2021.

**Changes to legislation:**

There are outstanding changes not yet made by the legislation.gov.uk editorial team to Finance Act 2004. Any changes that have already been made by the team appear in the content and are referenced with annotations.