



# Exemption from income tax for the Bereavement Support Payment

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## Who is likely to be affected?

Individuals who receive the Bereavement Support Payment (BSP) when introduced.

Individuals who receive existing bereavement pensions or benefits are not affected by this measure.

## General description of the measure

This measure exempts from income tax, the amounts of BSP received by bereaved husbands, wives and civil partners.

## Policy objective

This measure clarifies the tax status of the BSP introduced in the Pensions Act 2014.

The BSP will commence from a date to be set by the Secretary of State for the Department for Work and Pensions, or by HM Treasury.

## Background to the measure

The Pensions Act 2014 introduced the BSP. The Department for Work and Pensions (DWP) is responsible for the BSP, including the amounts to be paid. DWP has published details on the GOV.UK website and these are available by searching for Pensions Act 2014.

The BSP will replace the current Bereavement Allowance, Bereavement Payment and Widowed Parent's Allowance for bereaved people who lose their spouse or civil partner from the commencement date.

The tax treatment of the BSP was announced at Autumn Statement 2014.

## Detailed proposal

### Operative date

This measure will have effect on and after the date that BSP begins to be paid.

### Current law

Section 577 of the Income Tax (Earnings and Pensions) Act 2003 (ITEPA) sets out the charge to income tax on United Kingdom social security pensions and includes a list of those pensions.

Section 656 of ITEPA sets out the charge to tax on social security benefits and Section 657 defines social security income.

Table A in section 660 of ITEPA includes a list of taxable UK social security benefits, while table B in section 677 of ITEPA includes a list of UK social security benefits that are wholly exempt from income tax.

## Proposed revisions

Legislation will be introduced in Finance Bill 2015 to amend Table B in ITEPA 2003 to include BSP in the list of wholly exempt benefits.

## Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
-	nil	nil	-15	-30	-35	
	<p>The figures here refer to the tax impact of the measure and not the overall impact. This is set out in Table 2.2 of Autumn Statement 2014, as part of <i>Bereavement Benefits Reform</i>, and has been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Autumn Statement 2014.</p>					
<b>Economic impact</b>	<p>The measure is not expected to have any significant economic impacts.</p>					
<b>Impact on individuals, households and families</b>	<p>DWP issued an updated Impact Assessment in May 2014. This is available on the GOV.UK website along with all of the DWP publications for the Pensions Bill 2013-14 and the Pensions Act 2014.</p> <p>The impact of the tax exemption on an individual and their household will depend upon their personal circumstances.</p> <p>Although families will be affected by the exemption of the BSP from income tax, it is not expected to have an impact on family formation, stability or breakdown.</p>					
<b>Equalities impacts</b>	<p>DWP identified impacts in their updated impact assessment available on the GOV.UK website.</p> <p>The tax exemption of the BSP is not expected to have significant equalities impacts.</p> <p>Individuals already in receipt of the current bereavement benefits (Widowed Parent's Allowance, Bereavement Allowance and Bereavement Benefit) will not be affected. The tax status of their payments will not change.</p>					
<b>Impact on business including civil society organisations</b>	<p>This measure is expected to have no impact on businesses or civil society organisations.</p>					
<b>Operational impact (£m) (HMRC or other)</b>	<p>The tax exemption of the BSP will have no significant impact on HM Revenue &amp; Customs.</p>					
<b>Other impacts</b>	<p>Other impacts have been considered and none have been identified.</p>					

**Monitoring and evaluation**

This measure will be kept under review in the context of other relevant tax and benefit changes.

**Further advice**

If you have any questions about this change, please contact Claire Ritchie on 03000 586813 (email: [claire.ritchie@hmrc.gsi.gov.uk](mailto:claire.ritchie@hmrc.gsi.gov.uk)).

## 1 Bereavement support payment: exemption from income tax

- (1) ITEPA 2003 is amended as follows.
- (2) In Part 1 of Table B in section 677(1) (UK social security benefits wholly exempt from tax), at the appropriate place insert –

“Bereavement  
support payment

PA 2014

Section 30

Any provision made for Northern  
Ireland which corresponds to section  
30 of PA 2014”.

- (3) In Part 1 of Schedule 1 (abbreviations of Acts and instruments), at the appropriate place insert –

“PA 2014            The Pensions Act 2014”.

- (4) The amendments made by this section have effect in accordance with provision contained in regulations made by the Treasury.
- (5) Regulations under subsection (4) may make different provision for different purposes.
- (6) Section 1014(4) of ITA 2007 (regulations etc subject to annulment) does not apply in relation to regulations under subsection (4).

## EXPLANATORY NOTE

### BEREAVEMENT SUPPORT PAYMENT: EXEMPTION FROM INCOME TAX

#### SUMMARY

1. This measure adds the new Bereavement Support Payment to the table of social security benefits that are wholly exempt from income.

#### DETAILS OF THE CLAUSE

2. Subsection 2 adds the Bereavement Support Payment, and any equivalent in Northern Ireland, to Table B in Section 677 of the Income Tax (Earnings and Pensions) Act 2003. Table B sets out the social security benefits that are wholly exempt from income tax.

3. Subsection 3 adds The Pensions Act 2014 to the list of abbreviations of Acts of Parliament given in Part I of Schedule 1 of the Income Tax (Earnings and Pensions) Act 2003.

4. Subsection 4 sets out that the commencement date of the exemption from income tax, will be set out in regulations to be made by the Treasury.

#### BACKGROUND NOTE

5. The Department for Work and Pensions intend that the Bereavement Support Payment will replace the current Bereavement Allowance, Bereavement Payment and Widowed Parent's Allowance for bereaved people who lose their spouse or civil partner from the commencement date.

6. The Department for Work and Pensions are responsible for the Bereavement Support Payment, which was introduced in Part 5 of The Pensions Act 2014.

7. The Department for Work and Pensions will announce the commencement date and amount of the Bereavement Support Payment prior to commencement.

8. There will be no change to the tax status of any bereavement benefits already in payment at the date of this change.

9. If you have any questions about this change, or comments on the legislation, please contact Claire Ritchie on 03000 586813 (email: [claire.ritchie@hmrc.gsi.gov.uk](mailto:claire.ritchie@hmrc.gsi.gov.uk)).