

Amendment 14 to Clause 23: Modification of certain existing transitional protections

Summary

1. This amendment to clause 23 clarifies the tax treatment of stand-alone lump sums where they exceed the maximum tax-free amount established through Finance (No.2) Bill 2023.

Details of the amendment

2. This amendment replaces existing subsection 23(4) and inserts new paragraph (3A) into Article 25C of the Taxation of Pension Schemes (Transitional Provisions) Order 2006 (S.I. 2006/572).
3. This amendment makes clear that no income tax liability arises on as much of a stand-alone lump sum that does not exceed the 5 April 2023 maximum, and that a marginal rate income tax charge arises on any remainder of the stand-alone lump sum above the 5 April 2023 maximum.

Background note

4. This amendment amends clause 23 to clarify the tax treatment of the amount of a stand-alone lump sum that exceeds the 5 April 2023 maximum. This amendment ensures that stand alone lump sums can continue to be paid and any excess following the lifting of restrictions of certain existing protections is taxed appropriately.