

Filling in the Estate Pension Charges etc. Page

These Notes should help you fill in the Estate Pension Charges etc. Page of your Trust and Estate Tax Return.

The Estate Pension Charges etc. Page applies only to certain payments the estate has received from registered pension schemes (called 'UK pension schemes' on the Estate Pension Charges etc. Page) and from certain overseas pension schemes.

You should not use the Estate Pension Charges etc. Page for State Pension (or State second pension) the estate has received.

Because the use of this page will be uncommon, we do not go into great detail in these Notes, but just provide a brief overview. Also, you may have a tax adviser to help you complete this page. If tax charges apply to an unauthorised payment from a registered pension scheme, the scheme administrator of that pension scheme should tell you. But the administrator of an overseas pension scheme which is not a registered pension scheme does not have to notify you of your liability to any of the tax charges on this page, and will not deduct any UK tax from payments made to the estate in respect of a deceased scheme member.

Detailed information about the tax charges arising from UK tax-relieved pension savings, whether in registered pension schemes or overseas pension schemes, is in the Registered Pension Schemes Manual (RPSM) at www.hmrc.gov.uk Broadly speaking, the tax provisions apply to certain overseas pension schemes which are not registered pension schemes in the same way as they do to registered pension schemes. But the provisions are modified in various ways for these overseas schemes. If you have received a payment from an overseas pension scheme, you should read RPSM13102000 onwards.

• Amount of unauthorised payments

If the estate received any unauthorised payments in the tax year complete boxes 23.1, 23.2 and 23.3, as appropriate.

By 'unauthorised payment' we mean either:

- a payment which is specifically prescribed in the pensions tax legislation as being an unauthorised payment in respect of a scheme member, **or**
- any other payment made by a registered pension scheme, or from UK tax-relieved funds by an overseas pension scheme, in respect of a scheme member, which is not specifically prescribed as being an authorised payment in the pensions tax legislation.

This includes **any** unauthorised payment received by the estate from any registered pension scheme or from UK tax-relieved funds in a relevant non-UK scheme (and not just unauthorised payments received in respect of the deceased). 'Payment' includes monetary amounts, transfers of assets, and any other transfer of money's worth.

If the estate received an unauthorised payment from a registered pension scheme a deduction might be made from it to cover a tax liability that the scheme administrator also has in respect of the same payment. When such a deduction is made, the amount of the unauthorised payment you must enter in the appropriate box on the Estate Pension Charges etc. Page is the amount before the deduction. For example, if the unauthorised payment would have been £100 but £85 is paid instead, because an amount of £15 has been deducted, you must enter £100 in the appropriate box. The scheme administrator of the pension scheme should tell you if such a deduction has been made.

Tax charges arising from unauthorised payments by UK or overseas pension schemes

• Unauthorised payments charge

If the estate has received an unauthorised payment from a registered pension scheme or from UK tax-relieved funds in a relevant non-UK scheme, the personal representatives are liable to an Income Tax charge of 40% of the value of the unauthorised payment. This charge is known as the unauthorised payments charge.

If the payment was made by a registered pension scheme, the scheme administrator should have said if it was an unauthorised payment, and if the unauthorised payments Surcharge also applied to it.

• Unauthorised payments Surcharge

An unauthorised payments Surcharge applies where the amount of the unauthorised payments made to or in respect of a member in a Surcharge period (see below) reaches a set 'Surcharge threshold' – broadly, where the amount of the unauthorised payments reaches 25% of the value of the member's rights under the registered pension scheme making those payments. If payment is made by an overseas pension scheme, the threshold is 25% of the value of the member's UK tax-relieved funds under the scheme.

• Unauthorised payments Surcharge period

A Surcharge period starts on the date that the first unauthorised payment was made by a registered pension scheme (or relevant non-UK scheme) to, or in respect of, the member and ends either 12 months after that date or on the day on which the Surcharge threshold is reached, if earlier.

box 23.1 If the estate has received an unauthorised payment from a registered pension scheme or from UK tax-relieved funds in a relevant non-UK scheme, and the payment is not subject to the unauthorised payments Surcharge, enter the amount of the unauthorised payment in box 23.1.

box 23.2 If the estate has received an unauthorised payment from a registered pension scheme or from UK tax-relieved funds in a relevant non-UK scheme, and the payment is subject to the unauthorised payments Surcharge, enter the amount of the unauthorised payment in box 23.2. Do not enter the amount in box 23.1.

• Credit for foreign tax paid

As the tax charges on the Estate Pension Charges etc. Page are not charges on income, they are not exempted by any of the UK's Double Taxation Agreements. However, you can receive credit for any foreign taxes paid on an unauthorised payment from UK tax-relieved funds in a relevant non-UK scheme. The amount of your liability to UK tax can be reduced by the amount of any tax paid in respect of that payment under the law of a country or territory outside the UK.

box 23.3 If you have paid foreign tax on unauthorised payments from UK tax-relieved funds in a relevant non-UK scheme that you have entered in box 23.1 and/or box 23.2, enter the sterling equivalent of the tax paid in box 23.3. Add the amounts together where foreign tax has been paid on both types of payment. Convert the tax paid into sterling at the rate of exchange prevailing on the date of each tax payment.

If you pay the UK tax charges covered at boxes 23.1 and 23.2 but at a later date you pay tax in respect of the payment from the overseas scheme under the law of the country or territory outside the UK, you can then make a claim for an appropriate adjustment to be made in your liability to UK tax.

Taxable lump sum payments from overseas pension schemes

- Taxable authorised lump sum payments from overseas pension schemes

If the deceased left pensionable service in a relevant non-UK scheme before their death, and after their death the estate has received a refund of the UK tax-relieved contributions made to that scheme by the deceased, the estate is liable to a tax charge on that refund.

The amount of tax due is:

- 20% on the first £10,800 and
- 40% on any amount over £10,800.

box 23.4 Enter the amount of the refund received by the estate at box 23.4.

- Taxable lump sum death benefits

A tax charge called the special lump sum death benefits charge is payable by the recipient of any of the following lump sum payments from UK tax-relieved funds in a relevant non-UK scheme, following the death of a member of that scheme:

- a pension protection lump sum death benefit
- an annuity protection lump sum death benefit
- an unsecured pension fund lump sum death benefit.

The tax charge is at the rate of 35% on the amount of the benefit payment.

box 23.5 Enter the amount of the benefit received by the estate at box 23.5.

- Taxable refunds of contributions from an overseas pension scheme

A tax charge can arise if:

- the deceased had income that is chargeable to UK tax of £150,000 or more in the year ended 5 April 2010 or in either of the previous two tax years, **and**
- before their death they requested a refund of certain UK tax-relieved contributions that they made to a non-UK pension scheme.

The estate is liable to a tax charge on the refund of those contributions if it has received the refund after their death. The amount of tax due is 40% of the amount refunded.

box 23.5A No entry should be made at box 23.5A in the 2009–10 tax year because such refunds cannot be made until the 2010–11 tax year. Therefore liability to a tax charge does not arise in 2009–10.

- Credit for foreign tax paid

As the tax charges on the Estate Pension Charges etc. Page are not charges on income, they are not exempted by any of the UK's Double Taxation Agreements. However, you can receive credit for any foreign taxes paid on a payment you have entered in box 23.4 or box 23.5. The amount of your liability to UK tax can be reduced by the amount of any tax paid in respect of that payment under the law of a country or territory outside the UK.

box 23.6 If you have paid foreign tax on payments you have entered in box 23.4 and/or box 23.5, enter the sterling equivalent of the tax paid in box 23.6. Add the amounts together where foreign tax has been paid on both types of payment. Convert the tax paid into sterling at the rate of exchange prevailing on the date of each tax payment.

If you pay the UK tax charges covered at boxes 23.4 and 23.5 but at a later date you pay tax in respect of the payment from the overseas scheme under the law of the country or territory outside the UK, you can then make a claim for an appropriate adjustment to be made in your liability to UK tax.

There is also a Working Sheet on page EPCN3 to help you work out your tax bill. Copy the boxes on the Estate Pension Charges etc. Page to the appropriate boxes in the Working Sheet. The Working Sheet will take you through all the necessary steps to get to the estate's total pension savings tax charges. You should then copy the figure in box 22 of the Working Sheet to box 17.10 on the Trust and Estate Tax Return.

These notes are for guidance only and reflect the position at the time of writing. They do not affect any rights of appeal. Any subsequent amendments to these notes can be found at www.hmrc.gov.uk

Estate Pension Charges etc. Working Sheet

Use this Working Sheet to work out the figures to put into the Pension charges boxes in the Trust and Estate Tax Return. If any box on this page is negative substitute zero.

Unauthorised payments

	from box 23.1	1		box 1 x 40%	2
'Not subject to Surcharge' amount	£	<input type="text"/>		£	<input type="text"/>
	from box 23.2	3		box 3 x 55%	4
'Subject to Surcharge' amount	£	<input type="text"/>		£	<input type="text"/>
				boxes 2 + 4	5
			Unauthorised payment charge and Surcharge	£	<input type="text"/>
	from box 23.3	6		Lower of boxes 5 and 6	7
Foreign tax paid	£	<input type="text"/>		£	<input type="text"/>
				box 5 minus box 7	8
			Unauthorised payment charge and Surcharge due	£	<input type="text"/>

Overseas short service refund lump sum charge

	from box 23.4	9		10	
Taxable short service refund of contributions from an overseas pension scheme	£	<input type="text"/>		£ 10,800	
				box 11 x 20%	12
Lower of boxes 9 and 10	£	<input type="text"/>		£	<input type="text"/>
	box 9 minus box 11	13		box 13 x 40%	14
				£	<input type="text"/>
				boxes 12 + 14	15
			Short service refund lump sum charge	£	<input type="text"/>
	from box 23.5	16		box 16 x 35%	17
Taxable lump sum death benefit payment from an overseas pension scheme	£	<input type="text"/>		£	<input type="text"/>
				boxes 15 + 17	18
				£	<input type="text"/>
	from box 23.6	19		Lower of boxes 18 and 19	20
Foreign tax paid	£	<input type="text"/>		£	<input type="text"/>
				box 18 minus box 20	21
			Tax due on taxable lump sum payments from overseas pension schemes	£	<input type="text"/>

	boxes 8 + 21	22
Total pension savings charges	£	<input type="text"/>

copy box 22 to box 17.10 of the Trust and Estate Tax Return