



Finance Act 2004

2004 CHAPTER 12

PART 4

PENSION SCHEMES ETC

CHAPTER 5

REGISTERED PENSION SCHEMES: TAX CHARGES

Annual allowance charge

227 Annual allowance charge

- (1) A charge to income tax, to be known as the annual allowance charge, arises [^{F1}where an individual who is a member of one or more registered pension schemes has a [^{F2}non-zero] chargeable amount for a tax year.]

[^{F3}(1A) The chargeable amount ^{F4}... is to be determined in accordance with section 227ZA.]

^{F5}(2)

^{F5}(3)

- (4) The annual allowance charge is a charge at the [^{F6}appropriate rate] in respect of [^{F7}the chargeable amount.]

^{F8}

[^{F9}(4A) The appropriate rate is—

- (a) the basic rate ^{F10}... in relation to so much (if any) of the [^{F11}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,

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- (b) the higher rate ^{F12}... in relation to so much (if any) of the [^{F11}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 ^{F13}... in relation to so much (if any) of the [^{F11}chargeable amount] as, when so added, exceeds the higher rate limit for the tax year.

[^{F14}But subsection (4AA) applies in the case of a Scottish taxpayer][^{F15}and subsection (4AB) applies in the case of a Welsh taxpayer].

[The appropriate rate for a Scottish taxpayer is—

- ^{F16}(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—

- ^{F17}(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.

[^{F18}(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) [^{F19}, (4AA) and (4AB)] are to the limit as so increased.]]

(5) [^{F20}The chargeable amount] is not to be treated as income for any purpose of the Tax Acts.

^{F21}(5A)

^{F21}(5B)

(6) The following sections make further provision about the annual allowance charge—
 [^{F22}sections 227ZA and 227B (chargeable amount),]

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[^{F22}sections 227C to 227G (supplemental provision for calculations under section 227B),]
section 228 (annual allowance),
section [^{F23}229(1)] (total pension input amount to be aggregate of pension input amounts for pension input periods ending in tax year),
[^{F24}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),
[^{F25}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

- F1** 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\(2\)](#)
- F2** 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\(2\)\(a\)](#)
- F3** 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\(3\)](#)
- F4** 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\(2\)\(b\)](#)
- F5** 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\(2\)](#)
- F6** 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\(3\)](#)
- F7** 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\(4\)](#)
- F8** 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\(2\)\(a\)](#)
- F9** 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\(4\)](#)
- F10** 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\(2\)\(a\)](#)
- F11** 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\(5\)](#)
- F12** 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\(2\)\(b\)](#)
- F13** 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\(2\)\(c\)](#)
- F14** 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\(3\)](#)
- F15** 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\(2\)](#)
- F16** 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\(4\)](#)

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- F17** 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)**
- F18** 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)**
- F19** 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)**
- F20** 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)**
- F21** 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)**
- F22** 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)**
- F23** 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)**
- F24** 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)**
- F25** 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)

- C1** 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**
- C2** 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)**
- C3** 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

- I1** 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](#)

Changes to legislation:

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

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

- s. 236ZA inserted by [S.I. 2024/357 art. 2\(2\)](#)