PRACTICE NOTE

PN 34/91   **Date: 23 October 1991**

Extra-Statutory Concession
Pensions For Employees Disabled At Work

Section 16 Income Tax Act 1970 only provides for the exemption of pensions from war wounds.

Extra-Statutory Concession

The Treasury has now agreed an Extra-Statutory Concession (reproduced at Appendix 1) to cover disability pensions for all employees. It should be noted that:-

1. The concession first applies to the 1991/92 year of assessment i.e. it has not been back dated to cover pensions paid prior to 6 April 1991.
2. Where the pension is awarded solely on account of disability caused by injury on duty, or by a work-related illness, or by war wounds, the pension will not be liable to income tax.
3. Where the pension award is not as for 2. above, the excess of disability pension over the pension that would have been paid had the award been on ordinary ill health grounds will be liable to income tax.

Appendix 1 Government Circular No. 282/91

INCOME TAX

EXTRA-STATUTORY CONCESSION

PENSIONS TO EMPLOYEES DISABLED AT WORK

The Treasury has agreed the following Concession

1. This concession has effect for the year of assessment commencing on 6th April 1991 and for subsequent years.
2. The amount by which a pension awarded on retirement through disability caused by injury on duty or by a work. related illness (e.g. pneumoconiosis, asbestosis, etc.), or by war wounds, exceeds the pension which would have been awarded if retirement had been on ordinary ill-health grounds is not treated as income for income tax purposes.

3. similarly, a pension awarded solely on account of such retirement is not treated as income.
4. This Concession does not apply in respect of injury or illness which is not a discernable physical injury or illness.

Date 4th September 1991