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**Changes to legislation:** Finance Act 2004, Cross Heading: Benefit crystallisation event 3: permitted margin is up to date with all changes known to be in force on or before 05 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

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## SCHEDULES

### SCHEDULE 32

#### REGISTERED PENSION SCHEMES: BENEFIT CRYSTALLISATION EVENTS—SUPPLEMENTARY

**Modifications etc. (not altering text)**

- C1** Sch. 32 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), **16**
- C2** Sch. 32 applied (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, **23(5)**

#### *Benefit crystallisation event 3: permitted margin*

- 11 (1) This paragraph applies for the purposes of benefit crystallisation event 3 if the individual became entitled to the pension on or after 6th April 2006.
- (2) The permitted margin is the amount by which the annual amount of the pension at the rate at which it was payable on the day on which the individual became entitled to it would be greater if it had been increased by whichever of calculation A and calculation B gives the greater amount.
- (3) Calculation A involves increasing that annual amount at the relevant annual percentage rate for the whole of the period—
- beginning with the month in which the individual became entitled to the pension, and
  - ending with the month in which the individual becomes entitled to payment of the pension at the increased rate.
- (4) The relevant annual percentage rate is—
- in a case where the pension is paid under a pension scheme, or an arrangement under a pension scheme, in relation to which the relevant valuation factor is a number greater than 20, the annual rate agreed by the Inland Revenue and the scheme administrator, and
  - otherwise, 5% per annum.
- (5) Calculation B involves increasing that annual amount by the relevant indexation percentage.
- (6) If the retail prices index for the [<sup>F1</sup>reference month] is higher than it was for the [<sup>F2</sup>base month], the relevant indexation percentage is the percentage increase in the retail prices index.
- (7) If it is not, the relevant indexation percentage is 0%.

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- [<sup>F3</sup>(7A) The scheme administrator may select as the reference month any month in the period of 12 months ending with the month in which the individual becomes entitled to payment of the pension at the increased rate.
- (7B) The base month is the month which is the same number of months before the month in which the individual became entitled to the pension, as the reference month is before the month in which the individual becomes entitled to payment of the pension at the increased rate.]
- [<sup>F4</sup>(8) If the pension is under a public service pension scheme, any abatement of the pension is to be left out of account in determining for the purposes of this paragraph the annual amount of the pension at the rate at which it was payable on the day on which the individual became entitled to it.]

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**Textual Amendments**

- F1** Words in Sch. 32 para. 11(6) substituted (retrospective to 6.4.2008) by [Finance Act 2008 \(c. 9\)](#), [Sch. 29 paras. 9\(2\)\(a\)](#), 12(1)
- F2** Words in Sch. 32 para. 11(6) substituted (retrospective to 6.4.2008) by [Finance Act 2008 \(c. 9\)](#), [Sch. 29 paras. 9\(2\)\(b\)](#), 12(1)
- F3** Sch. 32 para. 11(7A)(7B) inserted (retrospective to 6.4.2008) by [Finance Act 2008 \(c. 9\)](#), [Sch. 29 paras. 9\(3\)](#), 12(1)
- F4** Sch. 32 para. 11(8) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 8\(4\)](#), 64(1)
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**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](#)

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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\(2\)](#)