



Finance Act 2004

2004 CHAPTER 12

PART 4

PENSION SCHEMES ETC

CHAPTER 3

PAYMENTS BY REGISTERED PENSION SCHEMES

Authorised member payments

165 Pension rules

- (1) These are the rules relating to the payment of pensions by a registered pension scheme to a member of the pension scheme (“the pension rules”).

Pension rule 1

No payment of pension may be made before the day on which the member reaches normal minimum pension age, unless the ill-health condition was met immediately before the member became entitled to a pension under the pension scheme.

Pension rule 2

If the member dies before the end of the period of ten years beginning with the day on which the member became entitled to a scheme pension [^{F1}or an annuity], [^{F2}and if in the case of an annuity that day was before 6 April 2015,] payment of the scheme pension [^{F3}or annuity] may continue to be made (to any person) until the end of that period.

[^{F4}If the member becomes entitled to an annuity on or after 6 April 2015 and the annuity is payable until the later of the member's death and the end of a term certain, payment of the annuity may continue to be made (to any person) until the end of that term.]

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[^{F5}Except as provided by the preceding provisions of this rule, no] payment of the member’s pension may be made after the member’s death.

Pension rule 3

No payment of pension other than a scheme pension may be made in respect of a defined benefits arrangement [^{F6}or a collective money purchase arrangement].

Pension rule 4

[^{F7}No payment of pension] other than—

- (a) a scheme pension,
- (b) a lifetime annuity, or
- (c) [^{F8}drawdown pension]

may be made in respect of a money purchase arrangement [^{F9}that is not a collective money purchase arrangement]; but a scheme pension may only be paid if the member had an opportunity to select a lifetime annuity instead.

[^{F10}*Pension rule 5*

The total amount of drawdown pension paid in each drawdown pension year [^{F11}from, or under a short-term annuity purchased using sums or assets out of, the member's drawdown pension fund] in respect of a money purchase arrangement must not exceed [^{F12}150%] of the basis amount for the drawdown pension .]

^{F13}

^{F13}

- (2) In this Part “pension”, in relation to a registered pension scheme, includes—
 - (a) an annuity, and
 - (b) income withdrawal.
- (3) For the purposes of this Part, a person becomes entitled to a pension under a registered pension scheme—
 - (a) in the case of income withdrawal under the pension scheme, whenever sums or assets held for the purposes of an arrangement under the pension scheme are designated as available for the payment of [^{F14}drawdown pension], and
 - (b) in any other case, when the person first acquires an actual (rather than a prospective) right to receive the pension

[^{F15}and, for this purpose, the abatement of a scheme pension under a public service pension scheme is not to be taken to affect the right to receive it].

^{F16}(3A)

^{F16}(3B)

- (4) Part 1 of Schedule 28 gives the meaning of expressions used in the pension rules.

Textual Amendments

- F1** Words in s. 165(1) substituted (with effect as specified in Sch. 19 para. 29(1) to the amending Act) by [Finance Act 2007 \(c. 11\)](#), [Sch. 19 para. 2\(2\)\(a\)](#)
- F2** Words in s. 165(1) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 41\(a\)](#)
- F3** Words in s. 165(1) substituted (with effect as specified in Sch. 19 para. 29(1) to the amending Act) by [Finance Act 2007 \(c. 11\)](#), [Sch. 19 para. 2\(2\)\(b\)](#)
- F4** Words in s. 165(1) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 41\(b\)](#)

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- F5** Words in s. 165(1) substituted (17.12.2014) by Taxation of Pensions Act 2014 (c. 30), **Sch. 1 para. 41(c)**
- F6** Words in s. 165(1) inserted (1.8.2022) by Finance Act 2021 (c. 26), **Sch. 5 paras. 3(2)**, 25(1); S.I. 2022/874, reg. 2
- F7** Words in s. 165(1) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by Finance Act 2011 (c. 11), **Sch. 16 para. 1(2)(a)(i)**
- F8** Words in s. 165(1) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by Finance Act 2011 (c. 11), **Sch. 16 para. 1(2)(a)(ii)**
- F9** Words in s. 165(1) inserted (1.8.2022) by Finance Act 2021 (c. 26), **Sch. 5 paras. 3(3)**, 25(1); S.I. 2022/874, reg. 2
- F10** Words in s. 165(1) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by Finance Act 2011 (c. 11), **Sch. 16 para. 1(2)(b)**
- F11** Words in s. 165(1) inserted (17.12.2014) by Taxation of Pensions Act 2014 (c. 30), **Sch. 1 para. 1**
- F12** Word in s. 165(1) substituted (with effect in accordance with s. 41(6) of the amending Act) by Finance Act 2014 (c. 26), **s. 41(1)**
- F13** Words in s. 165(1) omitted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by virtue of Finance Act 2011 (c. 11), **Sch. 16 para. 1(2)(c)**; and omitted (6.4.2015) by virtue of Taxation of Pensions Act 2014 (c. 30), **Sch. 1 para. 32(1)(a)(4)**
- F14** Words in s. 165(3)(a) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by Finance Act 2011 (c. 11), **Sch. 16 para. 64**
- F15** Words in s. 165(3) inserted (6.4.2006) by Finance Act 2005 (c. 7), **Sch. 10 paras. 7**, 64(1)
- F16** S. 165(3A)(3B) omitted (6.4.2015) by virtue of Taxation of Pensions Act 2014 (c. 30), **Sch. 1 para. 32(1)(b)(4)**

Modifications etc. (not altering text)

- C1** S. 165 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), **6**
- C2** S. 165 modified (27.7.2010) by Finance (No. 2) Act 2010 (c. 31), Sch. 3 para. 2(1)(2)(a) (with Sch. 2 para. 2(1))
- C3** S. 165 modified (with effect in accordance with Sch. 16 para. 85 of the amending Act) by Finance Act 2011 (c. 11), **Sch. 16 para. 90(2)(a)**
- C4** S. 165 modified (with effect in accordance with Sch. 16 para. 85 of the amending Act) by Finance Act 2011 (c. 11), **Sch. 16 para. 91(2)(a)**
- C5** S. 165 modified by The Pensions Schemes (Application of UK Provisions to Relevant Non-UK Schemes) Regulations 2006 (S.I. 2006/207), reg. 6 (as substituted (with effect in accordance with reg. 1(2) of the amending S.I.) by S.I. 2012/1795, regs. 1(1), **3**)
- C6** S. 165(1) modified (6.4.2006) by The Taxation of Pension Schemes (Transitional Provisions) Order 2006 (S.I. 2006/572), arts. 1(1), **3**, 4(1)(2)

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\(2\)](#)