



# Taxation of Pensions Act 2014

## 2014 CHAPTER 30

An Act to make provision in connection with the taxation of pensions. [17th December 2014]

BE IT ENACTED by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

### **1 Provision for pension flexibility etc**

Schedule 1 has effect. In that Schedule—

- Part 1 contains provision about flexibly accessing certain drawdown funds,
- Part 2 contains provision about removing certain restrictions relating to annuities to which individuals become entitled on or after 6 April 2015,
- Part 3 contains provision about authorising one-off pension payments not made through a drawdown fund,
- Part 4 contains provision about charging the annual allowance charge, in cases where an individual has flexibly accessed pension rights, on inputs in respect of money purchase arrangements (and some hybrid arrangements) so far as they exceed £10,000 in a tax year,
- Part 5 contains further provision in connection with the taxation of pensions,
- Part 6 contains provision about the giving of information, and
- Part 7 contains provision about overseas pensions.

### **2 Restriction and reduction of tax charges on certain lump sums**

- (1) Chapter 5 of Part 4 of FA 2004 (registered pension schemes: tax charges) is amended as follows.
- (2) In section 206(1) (special lump sum death benefits charge arises where certain lump sums are paid by a registered pension scheme) after “registered pension scheme” insert

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“ in respect of a member who had reached the age of 75 at the date of the member's death ”.

- (3) In section 206(4) (special lump sum death benefits charge: rate of charge) for “55%” substitute “ 45% ”.

<sup>F1</sup>(4) .....

- (5) The amendments made by this section apply to lump sums paid on or after 6 April 2015.

#### **Textual Amendments**

- F1** [S. 2\(4\)](#) omitted (with effect in accordance with Sch. 5 para. 4 of the amending Act) by virtue of [Finance Act 2016 \(c. 24\)](#), [Sch. 5 para. 3\(3\)\(b\)](#)

### **3 Death of pension scheme member**

Schedule 2 has effect.

### **4 Citation, interpretation and consequential amendments**

- (1) This Act may be cited as the Taxation of Pensions Act 2014.
- (2) In this Act—
- (a) “FA”, followed by a year, means the Finance Act of that year, and
  - (b) “ITEPA 2003” means the Income Tax (Earnings and Pensions) Act 2003.
- (3) The Commissioners for Her Majesty's Revenue and Customs may by regulations make such amendments of Part 4 of FA 2004, or Part 9 of ITEPA 2003, as the Commissioners consider appropriate in consequence of this Act.
- (4) For the purposes of section 282 of FA 2004 and section 1014 of the Income Tax Act 2007 (orders and regulations), the power under subsection (3) of this section is treated as a power under Part 4 of FA 2004 (so that section 282, and not section 1014, applies in relation to regulations made under subsection (3)).

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## SCHEDULES

### SCHEDULE 1

Section 1

#### PENSION FLEXIBILITY ETC

#### PART 1

#### DRAWDOWN PENSIONS

##### *Annual cap on pension drawdown abolished for flexi-access drawdown funds*

- 1 In section 165(1) of FA 2004 (the pension rules) in pension rule 5 (annual cap on drawdown pension) after “in each drawdown pension year” insert “ from, or under a short-term annuity purchased using sums or assets out of, the member's drawdown pension fund ”.
- 2 In paragraph 8(1A) of Schedule 28 to FA 2004 (meaning of “member's drawdown pension fund”: funds designated as available for drawdown)—
- (a) in the opening words omit “they”,
  - (b) in paragraph (a) for “have been designated at any time” substitute “ they have, at any time before 6 April 2015, been designated ”,
  - (c) before the “or” at the end of paragraph (a) insert—
    - “(aa) they have, at any time on or after 6 April 2015, been designated under the arrangement as available for the payment of drawdown pension, and—
      - (i) sums or assets held for the purposes of the arrangement have, at any time before 6 April 2015, been designated under the arrangement as so available, and
      - (ii) section 165(3A) did not apply to the arrangement immediately before 6 April 2015,” and
  - (d) in paragraph (b)—
    - (i) at the beginning insert “ they ”, and
    - (ii) for “sums or assets which have been so designated or” substitute “ member-designated funds under paragraph (a) or (aa) or from sums or assets ”.

##### *Flexi-access drawdown funds*

- 3 (1) In Schedule 28 to FA 2004 after paragraph 8 insert—

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*“Member's flexi-access drawdown fund*

- 8A (1) For the purposes of this Part the member's flexi-access drawdown fund in respect of an arrangement consists of such of the sums or assets held for the purposes of the arrangement as are newly-designated funds.
- (2) For the purposes of this Part sums or assets held for the purposes of an arrangement are newly-designated funds if—
- (a) they—
    - (i) have, at any time on or after 6 April 2015, been designated under the arrangement as available for the payment of drawdown pension, and
    - (ii) are not member-designated funds, or
  - (b) they were member-designated funds immediately before 6 April 2015 and section 165(3A) applied to the arrangement at that time, or
  - (c) they have become newly-designated funds by the operation of paragraph 8B, 8C or 8D, or
  - (d) they arise, or (directly or indirectly) derive, from newly-designated funds under paragraph (a), (b) or (c) or from sums or assets which so arise or derive.
- (3) Any sums or assets that become newly-designated funds under sub-paragraph (2)(b) cease to be member-designated funds as from the start of 6 April 2015.

*Conversion of certain drawdown pension funds into flexi-access drawdown funds*

- 8B (1) Sub-paragraph (2) applies if—
- (a) a member's drawdown pension fund in respect of an arrangement came into being before 6 April 2015,
  - (b) section 165(3A) did not apply to the arrangement immediately before 6 April 2015, and
  - (c) at a time on or after 6 April 2015, a payment—
    - (i) of income withdrawal from the fund, or
    - (ii) of a short-term annuity purchased using sums or assets out of the fund,
 is made that (apart from sub-paragraph (2)) would breach the cap.
- (2) The sums and assets that make up the fund immediately before the payment is made become newly-designated funds immediately before the payment is made (so that the payment is made out of the member's flexi-access drawdown fund in respect of the arrangement and therefore is not part of the total capped by pension rule 5).
- (3) For the purposes of sub-paragraph (1)(c), a payment of drawdown pension in respect of an arrangement is one that would breach the cap if, when its amount is added to the amounts of any drawdown pension in respect of the arrangement—
- (a) paid—

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- (i) before it is made, but
      - (ii) in the same drawdown pension year in respect of the arrangement, or
    - (b) paid at the time it is made,
- the total is greater than the cap set by pension rule 5 for that drawdown pension year.
- 8C (1) Sub-paragraph (2) applies if—
- (a) a member's drawdown pension fund in respect of an arrangement came into being before 6 April 2015,
  - (b) section 165(3A) did not apply to the arrangement immediately before 6 April 2015, and
  - (c) the member notifies the scheme administrator that the member wishes the fund to become the member's flexi-access drawdown fund in respect of the arrangement.
- (2) At—
- (a) the time the scheme administrator accepts the notification, or
  - (b) the start of 6 April 2015 if that is later,
- the sums and assets that then make up that fund become newly-designated funds, if they have not previously done so by the operation of paragraph 8B.
- 8D (1) Sub-paragraphs (2) and (3) apply if—
- (a) there is a recognised transfer from one registered pension scheme (“the old scheme”) to another registered pension scheme (“the new scheme”) of member-designated funds held for the purposes of an arrangement under the old scheme, and
  - (b) the sums or assets transferred are, under the arrangement under the new scheme for whose purposes they are first held after the transfer, designated as available for the payment of drawdown pension.
- (2) If the member, when or before making the designation, notifies the scheme administrator of the new scheme that the member wishes the sums or assets to be newly-designated funds, the sums or assets become newly-designated funds and do so—
- (a) when the designation is made, or
  - (b) if later, immediately after the transfer,
- except that, if both the designation and transfer are made before 6 April 2015, the sums or assets become newly-designated funds at the start of 6 April 2015.
- (3) If sub-paragraph (2) does not provide for the sums or assets to become newly-designated funds, the sums or assets become member-designated funds and do so—
- (a) when the designation is made, or
  - (b) if later, immediately after the transfer.”
- (2) Sub-paragraph (1), so far as it inserts the new paragraph 8D, has effect in relation to—

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- (a) cases where both the designation and transfer are made after the end of 2 months beginning with the day on which this Act is passed, and
- (b) cases not within paragraph (a) where—
  - (i) the transfer is made before 6 April 2015 and the designation is made on or after 6 April 2015, or
  - (ii) the designation is made before 6 April 2015 and the transfer is made on or after 6 April 2015.

- 4 (1) In Schedule 28 to FA 2004 after paragraph 22 insert—

*“Dependant’s flexi-access drawdown fund*

- 22A (1) For the purposes of this Part a dependant’s flexi-access drawdown fund in respect of an arrangement consists of such of the sums or assets held for the purposes of the arrangement as are newly-designated dependant funds.
- (2) For the purposes of this Part sums or assets held for the purposes of an arrangement are newly-designated dependant funds if—
- (a) they—
    - (i) have, at any time on or after 6 April 2015, been designated under the arrangement as available for the payment of dependants’ drawdown pension, and
    - (ii) are not dependant-designated funds, or
  - (b) they were dependant-designated funds immediately before 6 April 2015 and section 167(2A) applied to the arrangement at that time, or
  - (c) they have become newly-designated dependant funds by the operation of paragraph 22B, 22C or 22D, or
  - (d) they arise, or (directly or indirectly) derive, from newly-designated dependant funds under paragraph (a), (b) or (c) or from sums or assets which so arise or derive.
- (3) Any sums or assets that become newly-designated dependant funds under sub-paragraph (2)(b) cease to be dependant-designated funds as from the start of 6 April 2015.

*Conversion of certain dependants’ drawdown funds into flexi-access drawdown funds*

- 22B (1) Sub-paragraph (2) applies if—
- (a) a dependant’s drawdown pension fund in respect of an arrangement came into being before 6 April 2015,
  - (b) section 167(2A) did not apply to the arrangement immediately before 6 April 2015, and
  - (c) at a time on or after 6 April 2015, a payment—
    - (i) of dependants’ income withdrawal from the fund, or
    - (ii) of a dependants’ short-term annuity purchased using sums or assets out of the fund,
 is made that (apart from sub-paragraph (2)) would breach the cap.

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- (2) The sums and assets that make up the fund immediately before the payment is made become newly-designated dependant funds immediately before the payment is made (so that the payment is made out of the dependant's flexi-access drawdown fund in respect of the arrangement and therefore is not part of the total capped by pension death benefit rule 4).
- (3) For the purposes of sub-paragraph (1)(c), a payment of dependants' drawdown pension in respect of an arrangement is one that would breach the cap if, when its amount is added to the amounts of any dependants' drawdown pension in respect of the arrangement—
- (a) paid—
    - (i) before it is made, but
    - (ii) in the same drawdown pension year in respect of the arrangement, or
  - (b) paid at the time it is made,
- the total is greater than the cap set by pension death benefit rule 4 for that drawdown pension year.
- 22C (1) Sub-paragraph (2) applies if—
- (a) a dependant's drawdown pension fund in respect of an arrangement came into being before 6 April 2015,
  - (b) section 167(2A) did not apply to the arrangement immediately before 6 April 2015, and
  - (c) the dependant notifies the scheme administrator that the dependant wishes the fund to become the dependant's flexi-access drawdown fund in respect of the arrangement.
- (2) At—
- (a) the time the scheme administrator accepts the notification, or
  - (b) the start of 6 April 2015 if that is later,
- the sums and assets that then make up that fund become newly-designated dependant funds, if they have not previously done so by the operation of paragraph 22B.
- 22D (1) Sub-paragraphs (2) and (3) apply if—
- (a) there is a recognised transfer from one registered pension scheme (“the old scheme”) to another registered pension scheme (“the new scheme”) of dependant-designated funds held for the purposes of an arrangement under the old scheme, and
  - (b) the sums or assets transferred are, under the arrangement under the new scheme for whose purposes they are first held after the transfer, designated as available for the payment of drawdown pension.
- (2) If the dependant, when or before the designation is made, notifies the scheme administrator of the new scheme that the dependant wishes the sums or assets to be newly-designated dependant funds, the sums or assets become newly-designated dependant funds and do so—
- (a) when the designation is made, or
  - (b) if later, immediately after the transfer,

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except that, if both the designation and transfer are made before 6 April 2015, the sums or assets become newly-designated dependant funds at the start of 6 April 2015.

- (3) If sub-paragraph (2) does not provide for the sums or assets to become newly-designated dependant funds, the sums or assets become dependant-designated funds and do so—
- (a) when the designation is made, or
  - (b) if later, immediately after the transfer.”

- (2) Sub-paragraph (1), so far as it inserts the new paragraph 22D, has effect in relation to—
- (a) cases where both the designation and transfer are made after the end of 2 months beginning with the day on which this Act is passed, and
  - (b) cases not within paragraph (a) where—
    - (i) the transfer is made before 6 April 2015 and the designation is made on or after 6 April 2015, or
    - (ii) the designation is made before 6 April 2015 and the transfer is made on or after 6 April 2015.

*Further drawdown amendments*

- 5 FA 2004 is amended as follows.
- 6 In section 167(1) (the pension death benefit rules) in pension death benefit rule 4 (annual cap on dependants' drawdown pension) after “in each drawdown pension year” insert “from, or under a dependants' short-term annuity purchased using sums or assets out of, the dependant's drawdown pension fund”.
- 7 In section 168(1), in the lump sum death benefit rule, after paragraph (e) insert—  
“(ea) a flexi-access drawdown fund lump sum death benefit.”.
- 8 In section 169(1D) (regulations about transfers of drawdown funds) after paragraph (a) insert “or  
(aa) a member's flexi-access drawdown fund or dependant's flexi-access drawdown fund.”.
- 9 In section 172B(2) (rights of a “relevant member”)—  
(a) omit the “or” at the end of paragraph (aa), and  
(b) after paragraph (b) insert “, or  
(c) rights representing the member's flexi-access drawdown fund or dependant's flexi-access drawdown fund in respect of an arrangement under the pension scheme.”
- 10 In section 172B(7A) (section does not apply to certain increases in rights) after “dependant's drawdown pension fund” (in both places) insert “ or dependant's flexi-access drawdown fund ”.
- 11 In section 182(3) (value of arrangement for purposes of borrowing limits)—  
(a) after paragraph (a) insert—  
“(aa) the amount of such of the sums and the market value of such of the assets as represent the member's flexi-access drawdown fund in respect of the arrangement (if any),”,  
and



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- (b) in paragraph (b) after “dependants' drawdown pension funds” insert “or dependants' flexi-access drawdown funds”.
- 12 In section 182(5) (determining whether rights are uncrystallised) after “the person's drawdown pension fund” insert “ or the person's flexi-access drawdown fund ”.
- 13 In section 206(1) (payments which trigger special lump sum death benefits charge)  
—
- (a) omit the “or” at the end of paragraph (b), and  
(b) after paragraph (c) insert “or  
(d) a flexi-access drawdown fund lump sum death benefit.”.
- 14 In section 211(1) (value of crystallised rights for purposes of section 210)—
- (a) omit the “and” at the end of paragraph (a), and  
(b) after paragraph (b) insert “, and  
(c) the aggregate of the amount of the sums, and the market value of the assets, representing the member's flexi-access drawdown fund in respect of the arrangement on that date (if any).”
- 15 In section 212(2) (value of uncrystallised rights for purposes of section 210: rights which are not uncrystallised) after “the member's drawdown pension fund” insert “ or the member's flexi-access drawdown fund ”.
- 16 In section 216(1) (benefit crystallisation events and amounts crystallised), in column 2 of the entry in the table for benefit crystallisation event 5A, after “representing the individual's drawdown pension fund under the arrangement” insert “ (if any), plus the aggregate of the amount of the sums and the market value of the assets representing the individual's flexi-access drawdown fund under the arrangement (if any), ”.
- 17 In section 273A(1) (regulations about certain payments by insurance companies)—
- (a) omit the “or” at the end of paragraph (b), and  
(b) after paragraph (c) insert “or  
(d) a flexi-access drawdown fund lump sum death benefit.”.
- 18 In section 280(2) (index of defined expressions) at the appropriate places insert—
- 
- “dependant's flexi-access drawdown paragraph 22A of Schedule 28”  
fund
- 
- “flexi-access drawdown fund lump paragraph 17A of Schedule 29”  
sum death benefit
- 
- “member's flexi-access drawdown paragraph 8A of Schedule 28”  
fund
- 
- 19 In paragraph 7 of Schedule 28 (meaning of “income withdrawal”) at the end insert “ or from the member's flexi-access drawdown fund in respect of an arrangement ”.
- 20 In paragraph 21 of Schedule 28 (meaning of “dependants' income withdrawal”) at the end insert “ or from the dependant's flexi-access drawdown fund in respect of an arrangement ”.

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- 21 In paragraph 22(2) of Schedule 28 (meaning of “dependant's drawdown pension fund”: funds designated as available for dependants' drawdown pension)—
- (a) in the opening words omit “they”,
  - (b) in paragraph (a) for “have been designated at any time” substitute “ they have, at any time before 6 April 2015, been designated ”,
  - (c) before the “or” at the end of paragraph (a) insert—
    - “(aa) they have, at any time on or after 6 April 2015, been designated under the arrangement as available for the payment of dependants' drawdown pension to the dependant, and—
      - (i) sums or assets held for the purposes of the arrangement have, at any time before 6 April 2015, been designated under the arrangement as so available, and
      - (ii) section 167(2A) did not apply to the arrangement immediately before 6 April 2015,”, and
  - (d) in paragraph (b)—
    - (i) at the beginning insert “ they ”, and
    - (ii) for “sums or assets which have been so designated or” substitute “ dependant-designated funds under paragraph (a) or (aa) or from sums or assets ”.
- 22 In paragraph 3(5)(a) and (8)(a) of Schedule 29 (deductions when calculating “applicable amount”) after “of the member's drawdown pension fund” insert “ or of the member's flexi-access drawdown fund ”.
- 23 In paragraph 17 of Schedule 29 (meaning of “drawdown pension fund lump sum death benefit”)—
- (a) in sub-paragraph (1)(a) for “under” substitute “ to be paid from the member's drawdown pension fund in respect of ”, and
  - (b) in sub-paragraph (2)(c) after “at the date of the dependant's death” insert “ to be paid from the dependant's drawdown pension fund ”.
- 24 In Schedule 29 after paragraph 17 insert—

*“Flexi-access drawdown fund lump sum death benefit*

- 17A (1) For the purposes of this Part a lump sum death benefit is a flexi-access drawdown fund lump sum death benefit if—
- (a) it is paid in respect of income withdrawal to which the member was entitled to be paid from the member's flexi-access drawdown fund in respect of an arrangement at the date of the member's death, and
  - (b) it is not a charity lump sum death benefit.
- (2) A lump sum death benefit is also a flexi-access drawdown fund lump sum death benefit if—
- (a) it is paid on the death of a dependant of the member,
  - (b) it is paid in respect of dependants' income withdrawal to which the dependant was at the date of the dependant's death entitled to be paid from the dependant's flexi-access drawdown fund in respect of an arrangement relating to the member, and

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- (c) it is not a charity lump sum death benefit.
- (3) A lump sum death benefit is also a flexi-access drawdown fund lump sum death benefit if—
- (a) it is paid on the death of a nominee of the member,
  - (b) it is paid in respect of nominees' income withdrawal to which the nominee was at the date of the nominee's death entitled to be paid from the nominee's flexi-access drawdown fund in respect of an arrangement relating to the member, and
  - (c) it is not a charity lump sum death benefit.
- (4) A lump sum death benefit is also a flexi-access drawdown fund lump sum death benefit if—
- (a) it is paid on the death of a successor of the member,
  - (b) it is paid in respect of successors' income withdrawal to which the successor was at the date of the successor's death entitled to be paid from the successor's flexi-access drawdown fund in respect of an arrangement relating to the member, and
  - (c) it is not a charity lump sum death benefit.
- (5) But if the amount of a lump sum falling within sub-paragraph (1), (2), (3) or (4) exceeds the permitted maximum, the excess is not a flexi-access drawdown fund lump sum death benefit.
- (6) The permitted maximum is the aggregate of—
- (a) the amount of the sums, and
  - (b) the market value of the assets,
- representing the member's, dependant's, nominee's or successor's flexi-access drawdown fund in respect of the arrangement immediately before the payment is made.”
- 25 In paragraph 18 of Schedule 29 (meaning of “charity lump sum death benefit”)—
- (a) in sub-paragraph (1)(c) after “in respect of an arrangement” insert “, or in respect of the member's flexi-access drawdown fund in respect of an arrangement, ”,
  - (b) in sub-paragraph (2)(d) after “dependant's drawdown pension fund” insert “, or the dependant's flexi-access drawdown fund, ”, and
  - (c) in sub-paragraph (4) after “drawdown pension fund” insert “, or flexi-access drawdown fund, ”.
- 26 In paragraph 4(1) of Schedule 32 (supplementary provision about benefit crystallisation event 4) at the end insert “ or flexi-access drawdown fund ”.
- 27 In paragraph 17(2) of Schedule 32 (supplementary provision about benefit crystallisation event 8) after “the individual's drawdown pension fund” insert “ or flexi-access drawdown fund ”.
- 28 (1) In paragraph 20(4) of Schedule 36 (lifetime allowance: deemed crystallisation: value of rights to pre-5 April 2006 drawdown pensions)—
- (a) in paragraph (b) (arrangements where section 165(3A) of FA 2004 applies) for “applies” substitute “ applied at any time before 6 April 2015 ”, and
  - (b) after paragraph (b) insert “, or

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- (c) in the case of an arrangement to which section 165(3A) never applied but only if the time falls after the member's drawdown pension fund in respect of the arrangement is converted into the member's flexi-access drawdown fund in respect of the arrangement by the operation of any of paragraphs 8B to 8D of Schedule 28, 80% of the maximum amount that could have been paid in accordance with pension rule 5 in the drawdown pension year in which the conversion occurs had no conversion happened in that year by the operation of any of paragraphs 8B to 8D of Schedule 28.”

(2) The amendments made by sub-paragraph (1) come into force on 6 April 2015.

#### Commencement Information

**II** Sch. 1 para. 28 in force at Royal Assent, but see sub-para. (2)

- 29 In paragraph 29(3) of Schedule 36 (modifications of paragraph 3 of Schedule 29 for cases involving protected lump sum rights), in the sub-paragraph (5)(a) treated as substituted in paragraph 3 of Schedule 29, after “ member's drawdown pension fund ” insert “ or flexi-access drawdown fund ”.

#### *Related amendment in the Pension Benefits Regulations 2006*

- 30 (1) In regulation 2(1) of the Pension Benefits (Insurance Company Liable as Scheme Administrator) Regulations 2006 (S.I. 2006/136) (payments in relation to which the insurance company is liable as scheme administrator)—
- (a) omit the “or” at the end of sub-paragraph (b), and
  - (b) after sub-paragraph (c) insert “, or
  - (d) a flexi-access drawdown fund lump sum death benefit.”
- (2) The amendment made by sub-paragraph (1) is to be treated as having been made by the Commissioners for Her Majesty's Revenue and Customs in exercise of their powers under section 273A of FA 2004 (as amended by this Schedule).

#### *Related amendment in Part 9 of ITEPA 2003*

- 31 In section 636A of ITEPA 2003 (taxation of pension lump sums)—
- <sup>F2</sup>(a) .....
  - (b) in subsection (7) (definitions) after “ “drawdown pension fund lump sum death benefit” ” insert—
- ““flexi-access drawdown fund lump sum death benefit” ”.

#### Textual Amendments

**F2** Sch. 1 para. 31(a) omitted (with effect in accordance with s. 22(12) of the amending Act) by virtue of Finance (No. 2) Act 2015 (c. 33), s. 22(11)(b)(i)

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*Repeal and revocation of provisions relating to pre-6 April 2015 flexible drawdown*

- 32 (1) In FA 2004 omit—
- (a) in section 165(1), in pension rule 5, the second sentence,
  - (b) section 165(3A) and (3B),
  - (c) in section 167(1), in pension death benefit rule 4, the second sentence,
  - (d) section 167(2A) and (2B),
  - (e) in Schedule 28—
    - (i) paragraph 10(11),
    - (ii) paragraph 10A(11),
    - (iii) paragraphs 14A to 14E,
    - (iv) paragraph 24(11),
    - (v) paragraph 24A(9), and
    - (vi) paragraphs 24C to 24G, and
  - (f) in Schedule 34, paragraph 4A.
- (2) In consequence of sub-paragraph (1), in Schedule 16 to FA 2011 omit paragraphs 1(3), 8(12), 10, 11(3), 18(12), 20 and 81(3).
- (3) The Registered Pension Schemes (Prescribed Requirements of Flexible Drawdown Declaration) Regulations 2011 (S.I. 2011/1792) are revoked.
- (4) The amendments made by sub-paragraphs (1) to (3) come into force on 6 April 2015.

**Commencement Information**

**I2** Sch. 1 para. 32 in force at Royal Assent, but see sub-para. (4)

*Related amendments in regulations*

- 33 (1) The Pension Schemes (Application of UK Provisions to Relevant Non-UK Schemes) Regulations 2006 (S.I. 2006/207) are amended as follows.
- (2) In regulations 6 and 7 omit paragraph (b) and the “and” preceding it.
- (3) In regulation 14(3)—
- (a) after paragraph (b) insert—
    - “(ba) paragraphs 8C and 8D (in each place where the expression occurs);”,
  - (b) omit paragraph (da),
  - (c) after paragraph (e) insert—
    - “(ea) paragraphs 22C and 22D (in each place where the expression occurs);”, and
  - (d) omit paragraph (fc).
- (4) The amendments made by sub-paragraphs (2) and (3) come into force on 6 April 2015.
- (5) The amendments made by sub-paragraph (3)(a) and (c) are to be treated as having been made by the Commissioners for Her Majesty's Revenue and Customs under such of the powers conferred on them by Schedule 34 to FA 2004 (as amended by this Schedule) as are applicable.

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*Changes to legislation: There are currently no known outstanding effects for the Taxation of Pensions Act 2014. (See end of Document for details)*

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**Commencement Information**

**I3** Sch. 1 para. 33 in force at Royal Assent, but see sub-paras. (4)(5)

- 34 (1) Regulation 12 of the Registered Pension Schemes (Transfer of Sums and Assets) Regulations 2006 (S.I. 2006/499) (drawdown funds—recognised transfers) is amended as follows.
- (2) In the heading after “fund” (in both places) insert “ or flexi-access drawdown fund ”.
- (3) In paragraph (1) (transfer recognised only if transferred items are only items held under arrangement to which transfer made) after “represent a” insert “ member's flexi-access drawdown fund, dependant's flexi-access drawdown fund, ”.
- (4) In paragraph (2) (transferred items treated for certain purposes as remaining held under fund from which transfer made) before sub-paragraph (a) insert—  
“(za) in the case of a member's flexi-access drawdown fund, in the entries in table 3 for provisions not in Schedule 28,”.
- (5) In table 3, in the heading, after “Prescribed purposes—” insert “ member's flexi-access drawdown fund or ”.
- (6) In table 3 omit the entry for section 165(3A) of FA 2004.
- (7) In table 4 omit the entry for section 167(2A) of FA 2004.
- (8) The amendments made by this paragraph—  
(a) come into force on 6 April 2015, and  
(b) are to be treated as having been made by the Commissioners for Revenue and Customs under the powers to make regulations conferred by section 169(1D) and (1E) of FA 2004 (as amended by this Schedule).

**Commencement Information**

**I4** Sch. 1 para. 34 in force at Royal Assent, but see sub-para. (8)

- 35 (1) The Registered Pension Schemes (Provision of Information) Regulations 2006 (S.I. 2006/567) are amended as follows.
- (2) In the table in regulation 3(1), omit the entry for reportable event 21 (reporting that section 165(3A) or 167(2A) of FA 2004 applies).
- (3) Omit regulation 5B (reports for the tax year 2011-12).
- (4) In regulation 16(1) (information for insurance company provided with funds otherwise than from a drawdown pension fund) after “drawdown pension fund” insert “ or flexi-access drawdown fund ”.
- (5) In regulation 17(1) (information for insurance company provided with funds from a drawdown pension fund) after “drawdown pension fund” insert “ or flexi-access drawdown fund ”.
- (6) In regulation 17(2) and (4) after “of the member's drawdown pension fund” insert “ or of the member's flexi-access drawdown fund ”.

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- (7) The amendments made by sub-paragraphs (4) to (6) are to be treated as having been made by the Commissioners for Her Majesty's Revenue and Customs under such of the powers cited in the instrument containing the Regulations as are applicable.
- (8) In consequence of sub-paragraph (2), omit regulation 4(9) of the Registered Pension Schemes (Provision of Information) (Amendment) (No. 2) Regulations 2011 (S.I. 2011/1797).
- (9) In consequence of sub-paragraph (3), omit regulation 5 of those 2011 Regulations.
- (10) The amendments made by sub-paragraphs (2) and (8) have effect in relation to reports for the tax year 2015-16 and subsequent tax years.
- (11) The amendments made by sub-paragraphs (3) and (9) come into force on 6 April 2015 but without prejudice to the continued operation of the revoked provisions in relation to reports for the tax year 2011-12.
- (12) The amendments made by sub-paragraphs (4) to (6) come into force on 6 April 2015.

**Commencement Information**

**I5** Sch. 1 para. 35 in force at Royal Assent, but see sub-paras. (10)-(12)

**PART 2**

ANNUITIES

*Reduction of restrictions on new annuities*

- 36 Schedule 28 to FA 2004 (registered pension schemes) is amended as follows.
- 37 In paragraph 3 (definition of member's lifetime annuity) after sub-paragraph (1) insert—
  - “(1A) For the purposes of this Part, but subject to any provision made under sub-paragraph (2C)(za), an annuity payable to the member is also a lifetime annuity if—
    - (a) it is payable by an insurance company,
    - (b) the member becomes entitled to it on or after 6 April 2015, and
    - (c) it is payable until the member's death or until the later of the member's death and the end of a term certain.”
- 38 In paragraph 6 (definition of member's short-term annuity) after sub-paragraph (1) insert—
  - “(1ZA) For the purposes of this Part, but subject to any provision made under sub-paragraph (1C)(za), an annuity payable to the member is also a short-term annuity if—
    - (a) it is purchased by the application of sums or assets representing the whole or any part of the member's drawdown pension fund, or of the member's flexi-access drawdown fund, in respect of an arrangement,
    - (b) it is payable by an insurance company,
    - (c) the member becomes entitled to it on or after 6 April 2015, and

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- (d) it is payable for a term which does not exceed five years.”
- 39 In paragraph 17 (definition of dependants' annuity) after sub-paragraph (1) insert—
- “(1ZA) For the purposes of this Part, but subject to any provision made under sub-paragraph (4)(za), an annuity payable to a dependant is also a dependants' annuity if—
- (a) either—
- (i) it is purchased together with a lifetime annuity payable to the member and the member becomes entitled to that lifetime annuity on or after 6 April 2015, or
- (ii) it is purchased after the member's death and the dependant becomes entitled to it on or after 6 April 2015,
- (b) it is payable by an insurance company,
- (c) where the dependant is not the member's child, it is payable until the dependant's death or until the earliest of the dependant's marrying, entering into a civil partnership or dying, and
- (d) where the dependant is the member's child, it is payable until the earlier of the dependant's ceasing to be a dependant or dying, or until the earliest of the dependant's marrying, entering into a civil partnership, ceasing to be a dependant or dying.”
- 40 In paragraph 20 (definition of dependants' short-term annuity) after sub-paragraph (1) insert—
- “(1ZA) For the purposes of this Part, but subject to any provision made under sub-paragraph (1C)(za), an annuity payable to a dependant is also a dependants' short-term annuity if—
- (a) it is purchased by the application of sums or assets representing the whole or any part of the dependant's drawdown pension fund, or of the dependant's flexi-access drawdown fund, in respect of an arrangement,
- (b) it is payable by an insurance company,
- (c) the dependant becomes entitled to it on or after 6 April 2015, and
- (d) it is payable for a term which does not exceed five years and ends before the dependant dies.”

*Further annuities amendments*

- 41 In section 165(1) of FA 2004 (the pension rules) in pension rule 2 (death of a member)—
- (a) in the first sentence after “an annuity,” insert “ and if in the case of an annuity that day was before 6 April 2015, ”,
- (b) after that sentence insert—
- “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.”, and
- (c) in the final sentence for “But no other” substitute “ Except as provided by the preceding provisions of this rule, no ”.
- 42 Schedule 28 to FA 2004 (registered pension schemes) is further amended as follows.



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- 43 In paragraph 3(1) (definition of member's lifetime annuity) after paragraph (b) insert—  
“(ba) the member becomes entitled to it before 6 April 2015.”.
- 44 (1) In paragraph 3(2C) (regulations for cases where lifetime annuity ceases and funds are transferred)—  
(a) before paragraph (a) insert—  
“(za) in a case where—  
(i) a new annuity becomes payable,  
(ii) the member becomes entitled to it on or after 6 April 2015,  
(iii) it would be a lifetime annuity if any provision made under this paragraph were ignored,  
(iv) the terms of the contract for it are such that there will or could be decreases in its amount other than allowed decreases (see sub-paragraph (2E)), and  
(v) any other conditions prescribed by the regulations are met,  
the new annuity is not a lifetime annuity for the purposes of this Part,” and  
(b) in paragraph (b) for “any other case” substitute “ a case other than one where a new lifetime annuity becomes payable ”.
- (2) In paragraph 3 after sub-paragraph (2D) insert—  
“(2E) In sub-paragraph (2C)(za)(iv) “allowed decreases” means decreases from time to time allowed by regulations under sub-paragraph (1)(d); and any such regulations are to be treated as having effect for this purpose.”
- 45 In paragraph 6(1) (definition of member's short-term annuity) after paragraph (c) insert—  
“(ca) the member becomes entitled to it before 6 April 2015.”.
- 46 (1) In paragraph 6(1C) (regulations for cases where short-term annuity ceases and funds are transferred)—  
(a) before paragraph (a) insert—  
“(za) in a case where—  
(i) a new annuity becomes payable,  
(ii) the member becomes entitled to it on or after 6 April 2015,  
(iii) it would be a short-term annuity if any provision made under this paragraph were ignored,  
(iv) the terms of the contract for it are such that there will or could be decreases in its amount other than allowed decreases (see sub-paragraph (1E)), and  
(v) any other conditions prescribed by the regulations are met,  
the new annuity is not a short-term annuity for the purposes of this Part,” and  
(b) in paragraph (b) for “any other case” substitute “ a case other than one where a new short-term annuity becomes payable ”.

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- (2) In paragraph 6 after sub-paragraph (1D) insert—
- “(1E) In sub-paragraph (1C)(za)(iv) “allowed decreases” means decreases from time to time allowed by regulations under sub-paragraph (1)(e); and any such regulations are to be treated as having effect for this purpose.”
- 47 In paragraph 17(1) (definition of dependants' annuity) for paragraph (za) substitute—
- “(za) either—
- (i) it is purchased together with a lifetime annuity payable to the member and the member becomes entitled to that lifetime annuity before 6 April 2015, or
- (ii) it is purchased after the member's death and the dependant becomes entitled to it before 6 April 2015.”
- 48 In paragraph 17(1A) for “sub-paragraph (1)(za)” substitute “ sub-paragraphs (1)(za) and (1ZA)(a) ”.
- 49 (1) In paragraph 17(4) (regulations for cases where dependants' annuity ceases and funds are transferred)—
- (a) before paragraph (a) insert—
- “(za) in a case where—
- (i) a new annuity becomes payable,
- (ii) the dependant becomes entitled to it on or after 6 April 2015,
- (iii) it would be a dependants' annuity if any provision made under this paragraph were ignored,
- (iv) the terms of the contract for it are such that there will or could be decreases in its amount other than allowed decreases (see sub-paragraph (6)), and
- (v) any other conditions prescribed by the regulations are met,
- the new annuity is not a dependants' annuity for the purposes of this Part,”; and
- (b) in paragraph (b) for “any other case” substitute “a case other than one where a new dependants' annuity becomes payable”.
- (2) In paragraph 17 after sub-paragraph (5) insert—
- “(6) In sub-paragraph (4)(za)(iv) “allowed decreases” means decreases from time to time allowed by regulations under sub-paragraph (1)(c); and any such regulations are to be treated as having effect for this purpose.”
- 50 In paragraph 20(1) (definition of dependants' short-term annuity) after paragraph (c) insert—
- “(ca) the dependant becomes entitled to it before 6 April 2015.”.
- 51 (1) In paragraph 20(1C) (regulations for cases where dependants' short-term annuity ceases and funds are transferred)—
- (a) before paragraph (a) insert—
- “(za) in a case where—
- (i) a new annuity becomes payable,

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- (ii) the dependant becomes entitled to it on or after 6 April 2015,
- (iii) it would be a dependants' short-term annuity if any provision made under this paragraph were ignored,
- (iv) the terms of the contract for it are such that there will or could be decreases in its amount other than allowed decreases (see sub-paragraph (1E)), and
- (v) any other conditions prescribed by the regulations are met,

the new annuity is not a dependants' short-term annuity for the purposes of this Part,”, and

- (b) in paragraph (b) for “any other case” substitute “a case other than one where a new dependants' short-term annuity becomes payable”.

(2) In paragraph 20 after sub-paragraph (1D) insert—

“(1E) In sub-paragraph (1C)(za)(iv) “allowed decreases” means decreases from time to time allowed by regulations under sub-paragraph (1)(e); and any such regulations are to be treated as having effect for this purpose.”

#### *Consequential amendment*

- 52 In Schedule 16 to FA 2011 (benefits under pension schemes) in each of paragraphs 87 and 95 (entitlement to unsecured or alternatively secured pension on 5 April 2011) for “the reference” substitute “ a reference ”.

### **PART 3**

#### **PENSION PAYMENTS OUT OF UNCRYSTALLISED FUNDS**

##### *Definitions etc*

- 53 Part 4 of FA 2004 is amended as follows.
- 54 In section 166(1) (lump sums which may be paid by registered pension scheme) in the lump sum rule after paragraph (b) insert—  
“(ba) an uncrystallised funds pension lump sum,”.
- 55 In section 166(2) (when a person becomes entitled to a lump sum under a registered pension scheme) before the “ and ” at the end of paragraph (a) insert—  
“(aa) in the case of an uncrystallised funds pension lump sum, immediately before it is paid,”.
- 56 In section 280(2) (index of defined expressions) after the entry for “uncrystallised funds lump sum death benefit” insert—  
“uncrystallised funds pension lump sum paragraph 4A of Schedule 29”
- 57 In Schedule 29 (supplementary provision about authorised lump sums) after paragraph 4 insert—

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*“Uncrystallised funds pension lump sum*

- 4A (1) For the purposes of this Part a lump sum is an uncrystallised funds pension lump sum if—
- (a) it is paid on or after 6 April 2015 in respect of a money purchase arrangement,
  - (b) it is paid when all or part of the member's lifetime allowance is available,
  - (c) it is paid when the member has reached normal minimum pension age (or the ill-health condition is met),
  - (d) it is not a pension commencement lump sum,
  - (e) it is not a lump sum that, for the purposes of Part 9 of ITEPA 2003 (pension income), is treated by regulations under section 164(1)(f) and (2) as a trivial commutation lump sum paid to the member,
  - (f) immediately before the member becomes entitled to it, the sums or assets that are to be used to provide it—
    - (i) represent rights of the member under the scheme that are uncrystallised rights as defined by section 212(1) and (2), but
    - (ii) do not to any extent represent rights attributable to a disqualifying pension credit, and
  - (g) none of sub-paragraphs (3) to (5) applies to the member.
- (2) But if a lump sum falling within sub-paragraph (1)—
- (a) is paid when the member has not reached the age of 75, and
  - (b) exceeds the member's available lifetime allowance,
- the excess is not an uncrystallised funds pension lump sum.
- (3) This sub-paragraph applies to the member if—
- (a) paragraph 12 of Schedule 36 applies to the member (enhanced protection from 6 April 2006) immediately before the sum is paid, and
  - (b) the lump sum condition (see paragraphs 24(2) and (3), 25 and 26 of Schedule 36) is met in relation to the member.
- (4) This sub-paragraph applies to the member if—
- (a) paragraph 7 of Schedule 36 makes provision for the operation of a lifetime allowance enhancement factor in relation to the member immediately before the sum is paid, and
  - (b) the lump sum condition (see paragraphs 24(2) and (3), 25 and 26 of Schedule 36) is met in relation to the member.
- (5) This sub-paragraph applies to the member if—
- (a) any of the provisions listed in sub-paragraph (6) makes provision for the operation of a lifetime allowance enhancement factor in relation to the member immediately before the sum is paid, and

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- (b) immediately before the sum is paid, the available portion of the member's lump sum allowance for the purposes of paragraph 2 of Schedule 29 is nil or less than 25% of the sum.

(6) The listed provisions are—

- (a) paragraph 7 of Schedule 36 (primary protection);
- (b) section 220 (pension credits from previously crystallised rights);
- (c) section 221 (non-residence arrangements);
- (d) section 224 (transfers from recognised overseas pensions schemes);
- (e) paragraph 18 of Schedule 36 (pre-commencement pension credits).

(7) In sub-paragraph (1)(f) “disqualifying pension credit” is to be read in accordance with paragraph 2(3) and (4).”

58 In paragraph 12(2)(b) of Schedule 29 (conditions for treating the whole of the lump sum as paid when all or part of the member's lifetime allowance is available) after “4(1),” insert “ 4A(1), ”.

59 In paragraph 12(4) of Schedule 29 (exceptions to treating the whole of the lump sum as paid when all or part of the member's lifetime allowance is available) before the “and” at the end of paragraph (a) insert—

“(aa) in the case of a lump sum that would satisfy all the requirements of paragraph 4A(1) and is paid when the member has not reached the age of 75, to so much of it as would be prevented from being an uncrystallised funds pension lump sum by paragraph 4A(2),”.

60 In paragraph 12(5) of Schedule 29 (when an excess can be an authorised lump sum) after “1(2),” insert “ 4A(2), ”.

61 In paragraph 15 of Schedule 32 (benefit crystallisation event 6: meaning of “relevant lump sum”) before the “or” at the end of paragraph (b) insert—  
“(ba) an uncrystallised funds pension lump sum,”.

#### *Related amendments in Part 9 of ITEPA 2003*

62 (1) Section 636A of ITEPA 2003 (taxation of pension lump sums) is amended as follows.

(2) After subsection (1) insert—

“(1A) In the case of an uncrystallised funds pension lump sum paid under a registered pension scheme when the member has not reached the age of 75—

- (a) no liability to income tax arises on 25% of the sum, and
- (b) section 579A applies in relation to the other 75% of the sum as it applies to any pension under a registered pension scheme.

(1B) In the case of an uncrystallised funds pension lump sum paid under a registered pension scheme when the member has reached the age of 75—

- (a) if the member's available lifetime allowance when the sum is paid is equal to or greater than the sum—
  - (i) no liability to income tax arises on 25% of the sum, and

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- (ii) section 579A applies in relation to the other 75% of the sum as it applies to any pension under a registered pension scheme, and
- (b) if the member's available lifetime allowance when the sum is paid is less than the sum—
  - (i) no liability to income tax arises on the part of the sum that is equal to 25% of the member's available lifetime allowance when the sum is paid, and
  - (ii) section 579A applies in relation to the rest of the sum as it applies in relation to any pension under a registered pension scheme.
- (1C) For the purposes of subsection (1B), the amount of the member's available lifetime allowance when the sum is paid is what it is for the purposes of Part 4 of FA 2004 (see section 219 of FA 2004), but adjusted in accordance with the rules in paragraphs (a) and (b) of paragraph 12(1A) of Schedule 29 to FA 2004.”
- (3) In subsection (2) (subsection (1) does not limit operation of lifetime allowance charge) for “subsection (1) does” substitute “ subsections (1) to (1B) do ”.
- (4) In subsection (6) (definitions) after “ “serious ill health lump sum”,” insert—  
 ““uncrystallised funds pension lump sum”,”.

#### PART 4

##### ANNUAL ALLOWANCES

###### *Basic structure of the annual allowance charge*

- 63 (1) Section 227 of FA 2004 (pensions under registered pension schemes: annual allowance charge) is amended as follows.
  - (2) In subsection (1) (imposition of the charge) for the words from “where” to the end substitute “ where an individual who is a member of one or more registered pension schemes has a chargeable amount for a tax year. ”
  - (3) After subsection (1) insert—  
 “(1A) The chargeable amount (if any) is to be determined in accordance with section 227ZA.”
  - (4) In subsection (4) (basic calculation of charge) for the words in the first sentence after “in respect of” substitute “ the chargeable amount. ”
  - (5) In subsection (4A) (the appropriate rate) for “excess” (in each place) substitute “ chargeable amount ”.
  - (6) In subsection (5) (excess is not income) for “That excess” substitute “ The chargeable amount ”.
  - (7) In subsection (6) (further provision)—
    - (a) before the entry for section 228 insert—

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“sections 227ZA and 227B (chargeable amount),

sections 227C to 227G (supplemental provision for calculations under section 227B),”

- (b) in the entry for section 229, for “229” substitute “ 229(1) ”, and
- (c) after that entry insert— “ section 229(2) to (4) (how to arrive at the pension input amount in respect of an arrangement), ”.

(8) The amendments made by this paragraph have effect for the tax year 2015-16 and subsequent tax years.

64 (1) In FA 2004 after section 227 insert—

**“227ZA The chargeable amount**

(1) The chargeable amount is the alternative chargeable amount (see section 227B) if—

- (a) the year is—
  - (i) the tax year in which the individual first flexibly accesses pension rights (see section 227G), or
  - (ii) a tax year later than that tax year,
- (b) the money-purchase input sub-total (see section 227C) exceeds £10,000, and
- (c) the alternative chargeable amount exceeds the default chargeable amount.

(2) Otherwise, the chargeable amount is the default chargeable amount.

(3) The default chargeable amount is the amount (if any) by which—

- (a) the total pension input amount calculated in accordance with section 229(1), exceeds
- (b) the annual allowance for the year in the case of the individual (see sections 228(1) and 228A).”

(2) The amendment made by this paragraph has effect for the tax year 2015-16 and subsequent tax years.

*Annual allowance charge where rights have been flexibly accessed*

65 (1) In FA 2004 before section 228 insert—

**The alternative chargeable amount**

“~~227B~~ (1) The alternative chargeable amount is the total of—

- (a) the amount (if any) by which the defined-benefit input sub-total exceeds the alternative annual allowance, and
- (b) the amount by which the money-purchase input sub-total exceeds £10,000.

(2) The alternative annual allowance is—

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# AA – £10,000

where AA is the annual allowance for the year in the case of the individual (see sections 228(1) and 228A).

- (3) The defined-benefit input sub-total is the total of—
- (a) the pension input amounts in respect of each defined benefits arrangement relating to the individual under a registered pension scheme of which the individual is a member (see section 229(2)(c)),
  - (b) the pension input amounts in respect of each hybrid arrangement—
    - (i) relating to the individual under a registered pension scheme of which the individual is a member, and
    - (ii) in respect of which the pension input amount is input amount C mentioned in section 237, and
  - (c) any amounts required to be included by section 227E(3) or 227F(4) or (6) (pension input periods that end in the year but before the day on which rights are first flexibly accessed or that end in the year and contain that day).
- (4) Subsection (3)(b) is subject to section 227D (pension input amounts for certain hybrid arrangements).
- (5) If, in the case of a hybrid arrangement, input amount C mentioned in section 237—
- (a) is a relevant input amount for the purposes of section 237, and
  - (b) is equal to—
    - (i) input amount A or B mentioned in section 237 if that is the only other relevant input amount for the purposes of section 237, or
    - (ii) the greater of input amounts A and B mentioned in section 237 if both are relevant input amounts for the purposes of section 237,

the pension input amount in respect of the arrangement is, for the purposes of subsection (3)(b) and sections 227C(1)(b) and 227D(1)(c), treated as being input amount A or B or, as the case may be, the greater of input amounts A and B (and, in either case, not input amount C).

### **Meaning of “money-purchase input sub-total”**

- 227(1) The money-purchase input sub-total is the total of—
- (a) the pension input amounts in respect of each money purchase arrangement relating to the individual under a registered pension scheme of which the individual is a member (see section 229(2)(a) and (b)), and
  - (b) the pension input amounts in respect of each hybrid arrangement—



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- (i) relating to the individual under a registered pension scheme of which the individual is a member, and
  - (ii) in respect of which the pension input amount is input amount A or B mentioned in section 237.
- (2) Subsection (1) is to be read with—
- (a) section 227E(2) (pension input periods that end in the tax year but before the day on which rights are first flexibly accessed), and
  - (b) section 227F(2), (3) and (5) (pension input periods that end in the tax year and contain that day).
- (3) Subsection (1)(b) is to be read with—
- (a) section 227B(5) (hybrid arrangements where input amount C is highest-equal input amount), and
  - (b) section 227D (pension input amounts for certain hybrid arrangements).

### **Pension input amounts in respect of certain hybrid arrangements**

227D(1) In this section “relevant hybrid arrangement” means a hybrid arrangement—

- (a) relating to the individual under a registered pension scheme of which the individual is a member,
  - (b) made on or after 14 October 2014 or having become a hybrid arrangement (whether or not for the first time) on or after that day, and
  - (c) in respect of which the pension input amount is input amount C mentioned in section 237.
- (2) As respects each relevant hybrid arrangement in the maximising set of relevant hybrid arrangements—
- (a) the pension input amount in respect of the arrangement is for the purposes of sections 227B(3)(b) and 227C(1)(b) treated as being not input amount C mentioned in section 237 but, instead, the greater of such of input amounts A and B mentioned in section 237 as are, for the purposes of section 237, relevant input amounts in the case of the arrangement, and
  - (b) accordingly, the arrangement—
    - (i) is not to be included among the arrangements mentioned in section 227B(3)(b) whose pension input amounts are totalled under section 227B(3), but
    - (ii) is to be included among the arrangements mentioned in section 227C(1)(b) whose pension input amounts are totalled under section 227C(1).
- (3) For the purposes of subsection (2)—
- (a) the maximising set contains no relevant hybrid arrangements,
  - (b) a particular relevant hybrid arrangement makes up that set, or
  - (c) two or more particular relevant hybrid arrangements make up that set,

if the alternative chargeable amount with the maximising set so made up is not less than it would be with the maximising set made up in any other way.

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- (4) In particular, the maximising set may be identified by taking the following steps—

*Step 1* Identify all of the relevant hybrid arrangements.

*Step 2* Identify all of the different combinations of the arrangements identified at Step 1 (including the combination consisting of all of those arrangements, and the combination consisting of none of them, as well as every possible combination of each possible size in between).

*Step 3* For each combination identified at Step 2 calculate what the money-purchase input sub-total would be if each relevant hybrid arrangement in the combination were treated in accordance with the rules in paragraphs (a) and (b) of subsection (2).

*Step 4* If the result of each calculation at Step 3 is less than or equal to £10,000 the chargeable amount is the default chargeable amount.

*Step 5* If the amount calculated at Step 3 for a combination is greater than £10,000 then calculate in accordance with section 227B what the alternative chargeable amount would be if—

- (a) each relevant hybrid arrangement in the combination were treated in accordance with the rules in paragraphs (a) and (b) of subsection (2), and
- (b) for each relevant hybrid arrangement not in the combination, input amount C mentioned in section 237 were included in the total under section 227B(3).

*Step 6* Identify the highest (or higher) of the amounts calculated at Step 5. The maximising set is made up of each relevant hybrid arrangement in the combination concerned.

- (5) Subsection (1)(c) is to be read with section 227B(5) (hybrid arrangements where input amount C is highest-equal input amount).
- (6) A hybrid arrangement is not a relevant hybrid arrangement if section 227E(2) applies in the case of that arrangement.

#### **Pension input periods ending before rights are first flexibly accessed**

227E) Subsections (2) and (3) apply if, for an arrangement mentioned in section 227C(1), the pension input period ending in the tax year is a period that ends before the individual first flexibly accesses pension rights.

- (2) The pension input amount in respect of the arrangement is for the purposes of section 227C(1) treated as being nil.
- (3) The (actual) pension input amount in respect of the arrangement (see section 229(2)(a), (b) or (d)) is required to be included in the defined-benefit input sub-total calculated under section 227B(3).

#### **Pension input periods in which rights are first flexibly accessed**

227F) Subject to subsection (7), subsections (2) to (6) apply if, for an arrangement mentioned in section 227C(1), the pension input period ending in the tax year contains the day on which the individual first flexibly accesses pension rights (whether or not that day is in the tax year).

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- (2) If the arrangement is a cash balance arrangement, the pension input amount in respect of that arrangement is for the purposes of section 227C(1)(a) treated as being—

$$\frac{F}{PIP} \times APIA$$

where—

APIA is the (actual) pension input amount in respect of the arrangement (see section 229(2)(a)),

F is the number of days in the period—

- (a) beginning with the day after that on which the individual first flexibly accesses pension rights, and
- (b) ending at the end of the pension input period mentioned in subsection (1), and

PIP is the number of days in that pension input period.

- (3) If the arrangement is a money purchase arrangement other than a cash balance arrangement, the pension input amount in respect of that arrangement is for the purposes of section 227C(1)(a) treated as being the amount in respect of the arrangement that would be arrived at under section 233 for a pension input period—
- (a) beginning with the day after that on which the individual first flexibly accesses pension rights, and
  - (b) ending at the end of the pension input period mentioned in subsection (1).
- (4) If the arrangement is a money purchase arrangement, the amount (if any) by which—
- (a) the (actual) pension input amount in respect of the arrangement (see section 229(2)(a) or (b)), exceeds
  - (b) the amount treated by subsection (2) or (3) as being the pension input amount in respect of the arrangement,
- is required to be included in the defined-benefit input sub-total calculated under section 227B(3).
- (5) If the arrangement is a hybrid arrangement—
- (a) input amount A mentioned in section 237 is for the purposes of sections 227C(1)(b) and 227D(2) treated as being—

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$$\frac{F}{PIP} \times AAIAA$$

where—

AAIAA is the (actual) amount of input amount A for the arrangement,

F is the number of days in the period—

- (a) beginning with the day after that on which the individual first flexibly accesses pension rights, and
- (b) ending at the end of the pension input period mentioned in subsection (1), and

PIP is the number of days in that pension input period, and

- (b) input amount B mentioned in section 237 is for the purposes of sections 227C(1)(b) and 227D(2) treated as being the amount for the arrangement that would be arrived at under section 233 for a pension input period—
  - (i) beginning on the day after that on which the individual first flexibly accesses pension rights, and
  - (ii) ending at the end of the pension input period mentioned in subsection (1).
- (6) If the arrangement is a hybrid arrangement, the amount (if any) by which—
  - (a) the (actual) pension input amount in respect of the arrangement (see section 229(2)(d)), exceeds
  - (b) the amount which, in accordance with subsection (5) and section 227D, is for the purposes of section 227C(1)(b) the pension input amount in respect of the arrangement,
 is required to be included in the defined-benefit input sub-total calculated under section 227B(3).
- (7) Subsections (2) to (6) do not apply if section 165(3A) applied in the individual's case to the arrangement, or any other arrangement, at any time before 6 April 2015.

### **When pension rights are first flexibly accessed**

227(1) References in sections 227B to 227F to when the individual first flexibly accesses pension rights are to the time, or the earlier or earliest of the times, given for that by the following subsections.

(2) If—

- (a) the individual has a member's flexi-access drawdown fund in respect of an arrangement, and
- (b) the fund came into being—

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- (i) as a result of sums or assets being designated on or after 6 April 2015 as available for the payment of drawdown pension, or
  - (ii) as a result of the operation of paragraph 8D(2) of Schedule 28,

the individual first flexibly accesses pension rights immediately before the first qualifying payment is made from the fund (see subsection (10)).
- (3) If section 165(3A) applied in the individual's case to an arrangement at any time before 6 April 2015, the individual first flexibly accesses pension rights at the start of 6 April 2015.
- (4) If—
  - (a) the individual has a member's drawdown pension fund in respect of an arrangement, and
  - (b) the sums and assets that make up the fund become newly-designated funds by the operation of paragraph 8B of Schedule 28,

the individual first flexibly accesses pension rights immediately before the first qualifying payment (see subsection (10)) is made from the individual's member's flexi-access drawdown fund in respect of the arrangement (whether that is the payment that triggers the operation of paragraph 8B of Schedule 28 or a subsequent payment).
- (5) If—
  - (a) the individual has a member's drawdown pension fund in respect of an arrangement, and
  - (b) the sums and assets that make up the fund become newly-designated funds by the operation of paragraph 8C of Schedule 28,

the individual first flexibly accesses pension rights immediately before the first qualifying payment is made from the individual's member's flexi-access drawdown fund in respect of the arrangement (see subsection (10)).
- (6) The individual first flexibly accesses pension rights immediately before the payment of the first uncrystallised funds pension lump sum paid to the individual.
- (7) If the individual is entitled to payment of a lifetime annuity under a flexible annuity contract (see subsection (8)), the individual first flexibly accesses pension rights immediately before the first payment of the annuity is made.
- (8) In subsection (7) “flexible annuity contract” means a contract for a lifetime annuity where—
  - (a) the annuity is within paragraph 3(1A) of Schedule 28, and
  - (b) the terms of the contract are such that there will or could be decreases in the amount of the annuity other than decreases from time to time allowed by regulations under paragraph 3(1)(d) of Schedule 28 (and any such regulations are to be treated as having effect for this purpose).
- (9) If—
  - (a) the individual is entitled to payment of a scheme pension under a money purchase arrangement under a registered pension scheme,
  - (b) the individual became entitled to the scheme pension—

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- (i) on or after 6 April 2015, and
  - (ii) at a time when fewer than 11 other individuals were entitled to the present payment of a scheme pension, or dependants' scheme pension, under the registered pension scheme, and
  - (c) the scheme pension is not payable under an annuity contract treated under section 153(8) or (8A) as having become a registered pension scheme,
- the individual first flexibly accesses pension rights immediately before the first payment of the scheme pension is made.
- (10) In subsections (2), (4) and (5), a reference to a qualifying payment from a fund is a reference to—
- (a) payment of income withdrawal from the fund, or
  - (b) payment of a short-term annuity purchased using sums or assets out of the fund,
- but does not include payment at a time when the whole of the fund represents rights attributable to a disqualifying pension credit.
- (11) In subsection (10) “disqualifying pension credit” is to be read in accordance with paragraph 2(3) and (4) of Schedule 29.”
- (2) The amendment made by sub-paragraph (1) has effect for the tax year 2015-16 and subsequent tax years.

*Further amendments*

- 66 (1) Omit section 227A of FA 2004 (annual allowance charge: individuals who met flexible drawdown conditions).
- (2) In consequence of sub-paragraph (1)—
- (a) in section 227(4) of FA 2004, omit the second sentence, and
  - (b) omit paragraph 45 of Schedule 16 to FA 2011.
- (3) The amendments made by sub-paragraphs (1) and (2) have effect for the tax year 2015-16 and subsequent tax years.
- 67 (1) In section 228A of FA 2004 (carry forward of unused annual allowance) after subsection (7) insert—
- “(8) If, for a tax year preceding the current tax year, the chargeable amount in the individual's case was the alternative chargeable amount—
- (a) a reference in subsection (3)(a) or (b), (4)(b) or (6)(a) to the annual allowance for that preceding tax year is a reference to the alternative annual allowance for that preceding tax year (see section 227B(2)), and
  - (b) a reference in subsection (3)(a) or (b), (4)(b) or (6)(a) to the total pension input amount in the case of the individual for that preceding tax year is a reference to the defined-benefit input sub-total in the case of the individual for that preceding tax year (see section 227B(3) to (5)).
- (9) Subsection (3) does not apply in relation to a tax year—
- (a) preceding the current tax year, and

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- (b) ending not later than 5 April 2015,  
if, at any time in that preceding tax year, section 165(3A) or 167(2A) applied to an arrangement relating to the individual.”
- (2) The amendment made by this paragraph has effect where the current tax year is the tax year 2015-16 or a subsequent tax year.
- 68 In section 237B of FA 2004 (scheme administrator's co-liability for individual's annual allowance charge) after subsection (2) insert—
- “(2A) If the chargeable amount for the tax year in the individual's case is the alternative chargeable amount, each of the following is treated as being a reference to the amount that the annual allowance charge for the tax year would be in the individual's case if the chargeable amount were the default chargeable amount—
- (a) the reference in subsection (1)(a) to the amount of the individual's liability to the annual allowance charge for the tax year, and
- (b) the reference in subsection (3) to the annual allowance charge arising in the case of the individual.”
- 69 (1) In article 25C of the Taxation of Pension Schemes (Transitional Provisions) Order 2006 (S.I. 2006/572) after paragraph (3) insert—
- “(4) If—
- (a) a stand-alone lump sum is paid—
- (i) on or after 6 April 2015,
- (ii) to a member of a pension scheme,
- (iii) under a money purchase arrangement, and
- (iv) in circumstances where article 25B(2) (circumstance A) applies, and
- (b) no previous stand-alone lump sum has been paid—
- (i) on or after that day,
- (ii) to the member,
- (iii) under a money purchase arrangement, and
- (iv) in circumstances where article 25B(2) applies,
- subsection (1) of section 227G of the 2004 Act (individual first flexibly accesses pension rights at earliest time given by the following subsections of that section) has effect as if there were a subsequent subsection of that section stating that the member first flexibly accesses pension rights immediately before the stand-alone lump sum is paid.”
- (2) The amendment made by sub-paragraph (1) is to be treated as having been made by the Treasury under the powers to make orders conferred by section 283(2) of FA 2004.

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## PART 5

### MISCELLANEOUS AMENDMENTS

#### *Pension commencement lump sums*

- 70 (1) In paragraph 3A(3) of Schedule 29 to FA 2004 (pension commencement lump sum: when pension scheme is to be treated as making an unauthorised payment) for the words “1% of the standard lifetime allowance on that day” substitute “£7,500”.
- (2) The amendment made by sub-paragraph (1) has effect in relation to pension commencement lump sums paid on or after 6 April 2015.

#### *Trivial commutation lump sums and small pot lump sums*

- 71 (1) In paragraph 7(1) of Schedule 29 to FA 2004 (meaning of “trivial commutation lump sum”)—
- (a) after paragraph (a) insert—
    - “(aa) it is paid in respect of a defined benefits arrangement,”
  - (b) in paragraph (d) (entitlement to benefits must be extinguished) for “the member's entitlement to benefits” substitute “any entitlement to defined benefits that the member has”, and
  - (c) in paragraph (e) (member must have reached 60) for “the age of 60” substitute “normal minimum pension age (or the ill-health condition is met)”.
- (2) The amendments made by sub-paragraph (1) have effect for commutation periods beginning on or after 6 April 2015 and do so irrespective of whether the nominated date is before, on or after 6 April 2015.
- 72 (1) In article 23C(4) of the Taxation of Pension Schemes (Transitional Provisions) Order 2006 (S.I. 2006/572) (modifications of Schedule 29 to FA 2004) in the inserted paragraph 7A(1)(b) (member must have reached age 60 for certain sums to be trivial commutation lump sums) for “the age of 60” substitute “normal minimum pension age (or the ill-health condition is met)”.
- (2) The amendment made by sub-paragraph (1)—
- (a) has effect for determining whether a lump sum paid on or after 6 April 2015 is within the inserted paragraph 7A, and
  - (b) is to be treated as having been made by the Treasury under the powers to make orders conferred by section 283(2) of FA 2004.
- 73 (1) The Registered Pension Schemes (Authorised Payments) Regulations 2009 (S.I. 2009/1171) are amended as follows.
- (2) For regulation 10 substitute—

#### *“Payments to members receiving annuities*

- 10 A payment by a registered pension scheme to a member which would be a payment that is described in regulation 11, 11A(1)(a) to (c) or 12 but for the continuance after the payment of an annuity if the member has not previously received a payment, by that scheme, under this regulation.”



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- (3) In each of regulations 11(1)(a), 11A(1)(a) and 12(1)(c) (member must have reached 60 for certain payments by registered pension scheme to be authorised payments) for “the age of 60” substitute “ normal minimum pension age or the ill-health condition is met (see paragraph 1 of Schedule 28) ”.
- (4) The amendments made by sub-paragraphs (2) and (3)—
- (a) have effect for payments made on or after 6 April 2015, and
  - (b) are to be treated as having been made by the Commissioners for Her Majesty's Revenue and Customs under the powers to make regulations conferred by section 164(1)(f) and (2) of FA 2004.

*Trivial commutation lump sum death benefits*

- 74 (1) Paragraph 20 of Schedule 29 to FA 2004 (trivial commutation lump sum death benefit) is amended as follows.
- (2) In sub-paragraph (1) (definition) for the words from “if” to the end substitute “ if condition A or B is met. ”
- (3) After sub-paragraph (1) insert—
- “(1A) Condition A is that the lump sum—
- (a) is paid to a dependant entitled under the pension scheme to pension death benefit in respect of the member, and
  - (b) extinguishes the dependant's entitlement under the pension scheme to pension death benefit and lump sum death benefit in respect of the member.
- (1B) Condition B is that—
- (a) the lump sum is paid after the member's death to an individual entitled to be paid a pension under the scheme—
    - (i) which the member was entitled to be paid immediately before the member's death, and
    - (ii) which is payable to the individual under pension rule 2 (see section 165),
  - (b) if the pension is an annuity or scheme pension payable by an insurance company, the lump sum extinguishes all entitlements in respect of the member under the contract concerned, and
  - (c) if the pension is a scheme pension payable by the scheme administrator, the lump sum extinguishes all entitlements to receive a scheme pension in respect of the member from the scheme administrator under pension rule 2.”
- (4) In sub-paragraph (2) (excess over £18,000 not a trivial commutation lump sum death benefit) for “£18,000” substitute “ £30,000 ”.
- (5) In consequence of sub-paragraph (4), in Schedule 18 to FA 2011 omit paragraph 6(2).
- (6) The amendments made by this paragraph have effect in relation to lump sum death benefits paid on or after 6 April 2015.

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*Winding-up lump sum death benefit*

- 75 (1) In Schedule 29 to FA 2004 (authorised lump sums) omit paragraph 21 (which has come to have the effect that every winding-up lump sum death benefit is also a trivial commutation lump sum death benefit).
- (2) In consequence of sub-paragraph (1), in Schedule 18 to FA 2011 omit paragraph 7.

*Early lifetime annuities*

- 76 (1) In paragraph 7 of Schedule 32 to FA 2004 (benefit crystallisation events 2 and 4: early lifetime annuities) after sub-paragraph (3) insert—
- “(4) Sub-paragraph (5) has effect for the purposes of benefit crystallisation event 2 as it applies in relation to the individual's becoming entitled to the lifetime annuity.
- (5) If the total of—
- (a) the sums applied to purchase the lifetime annuity and any related dependants' annuity, and
- (b) the market value, at the time they are applied, of the assets applied to make the purchase,
- is greater than the amount that would apart from this sub-paragraph be the amount crystallised by the event, that total is the amount crystallised by the event.”
- (2) The amendment made by sub-paragraph (1) has effect in relation to a lifetime annuity if, applying the rule in section 165(3)(b) of FA 2004, the annuity is one to which an individual becomes entitled on or after 6 April 2015.

*Individuals who on 5 April 2006 had actual right to payment of pensions*

- 77 (1) In paragraph 20(4)(a) and (b) of Schedule 36 to FA 2004 (lifetime allowance: deemed crystallisation: value of rights to pre-5 April 2006 drawdown pensions) before “the maximum” insert “80% of”.
- (2) The amendment made by sub-paragraph (1) in relation to paragraph 20(4)(a) of that Schedule has effect where the benefit crystallisation event mentioned in the opening words of paragraph 20(2) of that Schedule occurs on or after 6 April 2015.
- (3) The amendment made by sub-paragraph (1) in relation to paragraph 20(4)(b) of that Schedule has effect where—
- (a) the benefit crystallisation event mentioned in the opening words of paragraph 20(2) of that Schedule occurs on or after 6 April 2015, and
- (b) section 165(3A) of FA 2004 first applied to the arrangement concerned in a drawdown pension year that began on or after 27 March 2014.

*Transfers between schemes of funds held in respect of individual who has protected pension age*

- 78 (1) In Schedule 36 to FA 2004 after paragraph 23 insert—
- “23ZA (1) Sub-paragraph (2) applies if—

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- (a) there is a recognised transfer from one registered pension scheme (“the old scheme”) to another registered pension scheme (“the new scheme”), and
  - (b) as a result of paragraph 21 or the previous operation of sub-paragraph (2), immediately before the transfer this Part (except for section 218(6) and paragraph 19) applied in relation to all of the transferred sums or assets as if references to normal minimum pension age were to the member's protected pension age as defined by paragraph 22(8) or, as the case may be, paragraph 23(8).
- (2) This Part (except for section 218(6) and paragraph 19) applies in relation to—
- (a) the transferred sums or assets while held for the purposes of an arrangement under the new scheme, and
  - (b) any sums or assets held for the purposes of such an arrangement that arise, or (directly or indirectly) derive, from—
    - (i) any of the transferred sums or assets, or
    - (ii) sums or assets which so arise or derive,as if references to normal minimum pension age were to the member's protected pension age as defined by paragraph 22(8) or, as the case may be, paragraph 23(8).
- (3) Paragraphs 22(7)(a) and 23(7) have effect as if the benefits or pensions to which they refer do not include any that are in respect of sums or assets within sub-paragraph (2)(a) or (b) of this paragraph.”
- (2) The amendment made by sub-paragraph (1) has effect in relation to recognised transfers made on or after 6 April 2015.

*Power to make certain payments*

79 In FA 2004 after section 273A insert—

**“273B Power of trustees or managers to make certain payments**

- (1) Subsection (2) applies to a payment by a registered pension scheme to or in respect of a person who is or has been a member of the scheme if it is paid in respect of a money purchase arrangement and is—
- (a) a payment of drawdown pension,
  - (b) paid to purchase a short-term annuity,
  - (c) a payment of dependants' drawdown pension,
  - (d) paid to purchase a dependants' short-term annuity,
  - (e) a payment of nominees' drawdown pension,
  - (f) paid to purchase a nominees' short-term annuity,
  - (g) a payment of successors' drawdown pension,
  - (h) paid to purchase a successors' short-term annuity,
  - (i) an uncrystallised funds pension lump sum,
  - (j) a flexi-access drawdown fund lump sum death benefit,
  - (k) a pension commencement lump sum where the person becomes entitled to it in connection with becoming entitled to income

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withdrawal (or where the person dies after becoming entitled to it but before becoming entitled to the income withdrawal in connection with which it was expected that the person would become entitled to the lump sum), or

- (l) a trivial commutation lump sum death benefit where condition B in paragraph 20(1B) of Schedule 29 is met.
- (2) The trustees or managers of the scheme may make the payment despite any provision of the rules of the scheme (however framed) prohibiting the making of the payment.”

*Temporary non-residence*

80 ITEPA 2003 is amended as follows.

81 (1) Section 579CA as substituted by paragraph 117 of Schedule 45 to FA 2013 (pensions under registered pension schemes: temporary non-residents) is amended as follows.

(2) In subsection (2) (relevant withdrawals treated as accruing in the year of return from temporary non-residence) at the end insert

“, but only if the total amount of—

- (a) the relevant withdrawals within subsection (3), and
- (b) the relevant withdrawals (as defined by section 576A(4)) within section 576A(3) for the same temporary period of non-residence, exceeds £100,000”.

(3) For subsection (4) (meaning of “relevant withdrawal”) substitute—

“(4) A “relevant withdrawal” is—

- (a) any income withdrawal paid to the person from a member's flexi-access drawdown fund in respect of an arrangement relating to the person under a registered pension scheme,
- (b) any dependants' income withdrawal paid to the person from a dependant's flexi-access drawdown fund in respect of an arrangement relating to the person under a registered pension scheme,
- (c) any nominees' income withdrawal paid to the person from a nominee's flexi-access drawdown fund in respect of an arrangement relating to the person under a registered pension scheme,
- (d) any successors' income withdrawal paid to the person from a successor's flexi-access drawdown fund in respect of an arrangement relating to the person under a registered pension scheme,
- (e) any payment to the person of a short-term annuity purchased using sums or assets out of a member's flexi-access drawdown fund in respect of an arrangement relating to the person under a registered pension scheme,
- (f) any payment to the person of a dependants' short-term annuity purchased using sums or assets out of a dependant's flexi-access drawdown fund in respect of an arrangement relating to the person under a registered pension scheme,

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- (g) any payment to the person of a nominee's short-term annuity purchased using sums or assets out of a nominee's flexi-access drawdown fund in respect of an arrangement relating to the person under a registered pension scheme,
  - (h) any payment to the person of a successor's short-term annuity purchased using sums or assets out of a successor's flexi-access drawdown fund in respect of an arrangement relating to the person under a registered pension scheme,
  - (i) any uncrystallised funds pension lump sum paid to the person in respect of an arrangement relating to the person under a registered pension scheme, but only so far as section 579A applies in relation to the sum (see section 636A),
  - (j) any income withdrawal, or dependants' income withdrawal, paid before 6 April 2015 to the person under a registered pension scheme in respect of an arrangement relating to the person under the scheme which at the time of the payment was an arrangement to which section 165(3A) or 167(2A) of FA 2004 applied (flexible drawdown arrangements),
  - (k) any payment to the person of a lifetime annuity or dependants' annuity where—
    - (i) the annuity is within paragraph 3(1A) or 17(1ZA), as the case may be, of Schedule 28 to FA 2004,
    - (ii) the terms of the contract under which the annuity is paid are such that there will or could be decreases in the amount of the annuity other than decreases from time to time allowed by regulations under paragraph 3(1)(d) or 17(1)(c), as the case may be, of Schedule 28 to FA 2004 (and any such regulations are to be treated as having effect for this purpose), and
    - (iii) the annuity is purchased using sums or assets held for the purposes of a registered pension scheme, or
  - (l) any payment to the person of a scheme pension, or dependants' scheme pension, under a money purchase arrangement under a registered pension scheme where—
    - (i) the person first acquired an actual (rather than a prospective) right to receive the scheme pension on or after 6 April 2015,
    - (ii) when the person first acquired that actual right, fewer than 11 other individuals were entitled to the present payment of a scheme pension, or dependants' scheme pension, under the registered pension scheme, and
    - (iii) the scheme pension is not payable under an annuity contract treated under section 153(8) or (8A) of FA 2004 as having become a registered pension scheme.
- (4A) For the purpose of determining whether the figure specified in subsection (2) is exceeded, any relevant withdrawal paid in a currency other than sterling is to be translated into sterling using the average exchange rate for the year ending with 31 March in the tax year in which the relevant withdrawal is paid.”

(4) In subsection (7) for the definition of “flexible drawdown arrangement” substitute—

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““dependants' annuity”, “dependant's flexi-access drawdown fund”, “dependants' scheme pension”, “dependants' short-term annuity”, “lifetime annuity”, “member's flexi-access drawdown fund”, “money purchase arrangement”, “nominee's flexi-access drawdown fund”, “scheme pension”, “short-term annuity”, “successor's flexi-access drawdown fund” and “uncrystallised funds pension lump sum” have the same meaning as in Part 4 of FA 2004 (see section 152 of FA 2004 and paragraphs 2, 3, 6, 8A, 16 to 16C, 17, 20, 22A, 27E and 27K of Schedule 28, and paragraph 4A of Schedule 29, to FA 2004).”

(5) The amendments made by this paragraph come into force on 6 April 2015.

#### Commencement Information

**I6** Sch. 1 para. 81 in force at Royal Assent, but see sub-para. (5)

- 82 (1) The version of section 579CA which has effect if the year of departure is the tax year 2012-13 or an earlier tax year (pensions under registered pension schemes: temporary non-residents) is amended as follows.
- (2) In subsection (1)—
- (a) for “income withdrawal or dependants' income withdrawal under the registered pension scheme” substitute “ relevant withdrawal paid to a person ”
  - (b) omit paragraph (a), and
  - (c) at the end insert “ , but only if the total amount of the relevant withdrawals meeting those conditions, and the relevant withdrawals (as defined by section 576A(4A)) meeting the conditions in section 576A(1) for the same set of years of non-residence, exceeds £100,000 ”.
- (3) After subsection (3) insert—
- “(3A) A “relevant withdrawal”, in relation to a person, is—
- (a) any income withdrawal paid to the person from a member's flexi-access drawdown fund in respect of an arrangement relating to the person under a registered pension scheme,
  - (b) any dependants' income withdrawal paid to the person from a dependant's flexi-access drawdown fund in respect of an arrangement relating to the person under a registered pension scheme,
  - (c) any nominees' income withdrawal paid to the person from a nominee's flexi-access drawdown fund in respect of an arrangement relating to the person under a registered pension scheme,
  - (d) any successors' income withdrawal paid to the person from a successor's flexi-access drawdown fund in respect of an arrangement relating to the person under a registered pension scheme,
  - (e) any payment to the person of a short-term annuity purchased using sums or assets out of a member's flexi-access drawdown fund in respect of an arrangement relating to the person under a registered pension scheme,

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- (f) any payment to the person of a dependants' short-term annuity purchased using sums or assets out of a dependant's flexi-access drawdown fund in respect of an arrangement relating to the person under a registered pension scheme,
  - (g) any payment to the person of a nominees' short-term annuity purchased using sums or assets out of a nominee's flexi-access drawdown fund in respect of an arrangement relating to the person under a registered pension scheme,
  - (h) any payment to the person of a successors' short-term annuity purchased using sums or assets out of a successor's flexi-access drawdown fund in respect of an arrangement relating to the person under a registered pension scheme,
  - (i) any uncrystallised funds pension lump sum paid to the person in respect of an arrangement relating to the person under a registered pension scheme, but only so far as section 579A applies in relation to the sum (see section 636A),
  - (j) any income withdrawal, or dependants' income withdrawal, paid before 6 April 2015 to the person under a registered pension scheme in respect of an arrangement relating to the person under the scheme which at the time of the payment was an arrangement to which section 165(3A) or 167(2A) of FA 2004 applied (flexible drawdown arrangements),
  - (k) any payment to the person of a lifetime annuity or dependants' annuity where—
    - (i) the annuity is within paragraph 3(1A) or 17(1ZA), as the case may be, of Schedule 28 to FA 2004,
    - (ii) the terms of the contract under which the annuity is paid are such that there will or could be decreases in the amount of the annuity other than decreases from time to time allowed by regulations under paragraph 3(1)(d) or 17(1)(c), as the case may be, of Schedule 28 to FA 2004 (and any such regulations are to be treated as having effect for this purpose), and
    - (iii) the annuity is purchased using sums or assets held for the purposes of a registered pension scheme, or
  - (l) any payment to the person of a scheme pension, or dependants' scheme pension, under a money purchase arrangement under a registered pension scheme where—
    - (i) the person first acquired an actual (rather than a prospective) right to receive the scheme pension on or after 6 April 2015,
    - (ii) when the person first acquired that actual right, fewer than 11 other individuals were entitled to the present payment of a scheme pension, or dependants' scheme pension, under the registered pension scheme, and
    - (iii) the scheme pension is not payable under an annuity contract treated under section 153(8) or (8A) of FA 2004 as having become a registered pension scheme.
- (3B) For the purpose of determining whether the figure specified at the end of subsection (1) is exceeded, any relevant withdrawal paid in a currency other than sterling is to be translated into sterling using the average exchange rate

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for the year ending with 31 March in the tax year in which the relevant withdrawal is paid.”

- (4) In subsection (4) for “income withdrawal or dependants' income” substitute “relevant”.
- (5) In subsection (5) for the definition of “flexible drawdown arrangement” substitute—
- ““dependants' annuity”, “dependant's flexi-access drawdown fund”, “dependants' scheme pension”, “dependants' short-term annuity”, “lifetime annuity”, “member's flexi-access drawdown fund”, “money purchase arrangement”, “nominee's flexi-access drawdown fund”, “scheme pension”, “short-term annuity”, “successor's flexi-access drawdown fund” and “uncrystallised funds pension lump sum” have the same meaning as in Part 4 of FA 2004 (see section 152 of FA 2004 and paragraphs 2, 3, 6, 8A, 16 to 16C, 17, 20, 22A, 27E and 27K of Schedule 28, and paragraph 4A of Schedule 29, to FA 2004).”
- (6) The amendments made by this paragraph come into force on 6 April 2015.

#### Commencement Information

I7 Sch. 1 para. 82 in force at Royal Assent, but see sub-para. (6)

- 83 (1) Section 576A as substituted by paragraph 116 of Schedule 45 to FA 2013 (pensions under relevant non-UK schemes: temporary non-residents) is amended as follows.
- (2) In subsection (2) (relevant withdrawals treated as accruing in the year of return from temporary non-residence) at the end insert
- “, but only if the total amount of—
- (a) the relevant withdrawals within subsection (3), and
- (b) the relevant withdrawals (as defined by section 579CA(4)) within section 579CA(3) for the same temporary period of non-residence, exceeds £100,000”.
- (3) For subsection (4) (meaning of “relevant withdrawal”) substitute—
- “(4) A “relevant withdrawal” is an amount paid under a relevant non-UK scheme that—
- (a) is paid to the person in respect of an arrangement relating to the person under the scheme and would, if the scheme were a registered pension scheme, be income withdrawal (within the meaning of paragraph 7 of Schedule 28 to FA 2004) paid to the person from the person's member's flexi-access drawdown fund in respect of the arrangement,
- (b) is paid to the person in respect of an arrangement relating to the person under the scheme and would, if the scheme were a registered pension scheme, be dependants' income withdrawal (within the meaning of paragraph 21 of Schedule 28 to FA 2004) paid to the person from the person's dependant's flexi-access drawdown fund in respect of the arrangement,
- (c) is paid to the person in respect of an arrangement relating to the person under the scheme and would, if the scheme were a



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- registered pension scheme, be nominees' income withdrawal (within the meaning of paragraph 27D of Schedule 28 to FA 2004) paid to the person from the person's nominee's flexi-access drawdown fund in respect of the arrangement,
- (d) is paid to the person in respect of an arrangement relating to the person under the scheme and would, if the scheme were a registered pension scheme, be successors' income withdrawal (within the meaning of paragraph 27J of Schedule 28 to FA 2004) paid to the person from the person's successor's flexi-access drawdown fund in respect of the arrangement,
  - (e) is a payment to the person of an annuity purchased using sums or assets held for the purposes of an arrangement relating to the person under the scheme and would, if the scheme were a registered pension scheme, be a payment of a short-term annuity (within the meaning of paragraph 6 of Schedule 28 to FA 2004) purchased using sums or assets out of the person's member's flexi-access drawdown fund in respect of the arrangement,
  - (f) is a payment to the person of an annuity purchased using sums or assets held for the purposes of an arrangement relating to the person under the scheme and would, if the scheme were a registered pension scheme, be a payment of a dependants' short-term annuity (within the meaning of paragraph 20 of Schedule 28 to FA 2004) purchased using sums or assets out of the person's dependant's flexi-access drawdown fund in respect of the arrangement,
  - (g) is a payment to the person of an annuity purchased using sums or assets held for the purposes of an arrangement relating to the person under the scheme and would, if the scheme were a registered pension scheme, be a payment of a nominees' short-term annuity (within the meaning of paragraph 27C of Schedule 28 to FA 2004) purchased using sums or assets out of the person's nominee's flexi-access drawdown fund in respect of the arrangement,
  - (h) is a payment to the person of an annuity purchased using sums or assets held for the purposes of an arrangement relating to the person under the scheme and would, if the scheme were a registered pension scheme, be a payment of a successors' short-term annuity (within the meaning of paragraph 27H of Schedule 28 to FA 2004) purchased using sums or assets out of the person's successor's flexi-access drawdown fund in respect of the arrangement,
  - (i) is paid before 6 April 2015 to the person in respect of an arrangement relating to the person under the scheme which at the time of the payment was an arrangement to which section 165(3A) or 167(2A) of FA 2004 (flexible drawdown arrangements) applied and would, if the scheme had been a registered pension scheme, have been income withdrawal or dependants' income withdrawal (within the meaning of paragraphs 7 and 21 of Schedule 28 to FA 2004),
  - (j) is a payment to the person of an annuity purchased using sums or assets held for the purposes of an arrangement relating to the person under the scheme where—
    - (i) the payment would, if the scheme were a registered pension scheme, be of a lifetime annuity or dependants' annuity

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within paragraph 3(1A) or 17(1ZA), as the case may be, of Schedule 28 to FA 2004, and

- (ii) the terms of the contract under which it is paid are such that there will or could be decreases in the amount of the annuity other than decreases which, if the scheme were a registered pension scheme, would be decreases from time to time allowed by regulations under paragraph 3(1)(d) or 17(1)(c), as the case may be, of Schedule 28 to FA 2004 (and any such regulations are to be treated as having effect for this purpose), or
- (k) is a payment to the person under a money purchase arrangement relating to the person under the scheme that, if the scheme were a registered pension scheme, would be a payment to the person of a scheme pension that the person would for the purposes of Part 4 of FA 2004 be treated as having become entitled to at a time on or after 6 April 2015 when fewer than 11 other individuals were entitled to present payment of a scheme pension under the scheme.

(4A) For the purpose of determining whether the figure specified in subsection (2) is exceeded, any relevant withdrawal paid in a currency other than sterling is to be translated into sterling using the average exchange rate for the year ending with 31 March in the tax year in which the relevant withdrawal is paid.”

(4) In subsection (9)—

(a) for the definition of “flexible drawdown arrangement” substitute—

““member's flexi-access drawdown fund” and “dependant's flexi-access drawdown fund” have the same meaning as in Part 4 of FA 2004 (see paragraphs 8A and 22A of Schedule 28 to FA 2004);”, and

(b) after the definition of “remitted to the United Kingdom” insert—

““scheme pension” means a scheme pension within the meaning of paragraph 2 of Schedule 28 to FA 2004 or a dependants' scheme pension within the meaning of paragraphs 16 to 16C of that Schedule;”.

(5) The amendments made by this paragraph come into force on 6 April 2015.

#### **Commencement Information**

**I8** Sch. 1 para. 83 in force at Royal Assent, but see sub-para. (5)

84 (1) The version of section 576A which has effect if the year of departure is the tax year 2012-13 or an earlier tax year (pensions under relevant non-UK schemes: temporary non-residents) is amended as follows.

(2) In subsection (1)—

- (a) for “non-UK income withdrawal under a relevant non-UK scheme” substitute “ withdrawal paid to a person ”,
- (b) omit paragraph (a), and
- (c) at the end insert “ , but only if the total amount of the relevant withdrawals meeting those conditions, and the relevant withdrawals (as defined by

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section 579CA(3A)) meeting the conditions in section 579CA(1) for the same set of years of non-residence, exceeds £100,000 ”.

(3) In subsection (4) for “non-UK income withdrawal falling within subsection (1)” substitute “ withdrawal that meets the conditions in subsection (1)(b) and (c) ”.

(4) After subsection (4) insert—

“(4A) A “relevant withdrawal”, in relation to a person, is an amount paid under a relevant non-UK scheme that—

- (a) is paid to the person in respect of an arrangement relating to the person under the scheme and would, if the scheme were a registered pension scheme, be income withdrawal (within the meaning of paragraph 7 of Schedule 28 to FA 2004) paid to the person from the person's member's flexi-access drawdown fund in respect of the arrangement,
- (b) is paid to the person in respect of an arrangement relating to the person under the scheme and would, if the scheme were a registered pension scheme, be dependants' income withdrawal (within the meaning of paragraph 21 of Schedule 28 to FA 2004) paid to the person from the person's dependant's flexi-access drawdown fund in respect of the arrangement,
- (c) is paid to the person in respect of an arrangement relating to the person under the scheme and would, if the scheme were a registered pension scheme, be nominees' income withdrawal (within the meaning of paragraph 27D of Schedule 28 to FA 2004) paid to the person from the person's nominee's flexi-access drawdown fund in respect of the arrangement,
- (d) is paid to the person in respect of an arrangement relating to the person under the scheme and would, if the scheme were a registered pension scheme, be successors' income withdrawal (within the meaning of paragraph 27J of Schedule 28 to FA 2004) paid to the person from the person's successor's flexi-access drawdown fund in respect of the arrangement,
- (e) is a payment to the person of an annuity purchased using sums or assets held for the purposes of an arrangement relating to the person under the scheme and would, if the scheme were a registered pension scheme, be a payment of a short-term annuity (within the meaning of paragraph 6 of Schedule 28 to FA 2004) purchased using sums or assets out of the person's member's flexi-access drawdown fund in respect of the arrangement,
- (f) is a payment to the person of an annuity purchased using sums or assets held for the purposes of an arrangement relating to the person under the scheme and would, if the scheme were a registered pension scheme, be a payment of a dependants' short-term annuity (within the meaning of paragraph 20 of Schedule 28 to FA 2004) purchased using sums or assets out of the person's dependant's flexi-access drawdown fund in respect of the arrangement,
- (g) is a payment to the person of an annuity purchased using sums or assets held for the purposes of an arrangement relating to the person under the scheme and would, if the scheme were a registered pension scheme, be a payment of a nominees' short-term annuity (within the meaning of paragraph 27C of Schedule 28 to FA 2004)

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- purchased using sums or assets out of the person's nominee's flexi-access drawdown fund in respect of the arrangement,
- (h) is a payment to the person of an annuity purchased using sums or assets held for the purposes of an arrangement relating to the person under the scheme and would, if the scheme were a registered pension scheme, be a payment of a successors' short-term annuity (within the meaning of paragraph 27H of Schedule 28 to FA 2004) purchased using sums or assets out of the person's successor's flexi-access drawdown fund in respect of the arrangement,
  - (i) is paid before 6 April 2015 to the person in respect of an arrangement relating to the person under the scheme which at the time of the payment was an arrangement to which section 165(3A) or 167(2A) of FA 2004 (flexible drawdown arrangements) applied and would, if the scheme were a registered pension scheme, be income withdrawal or dependants' income withdrawal (within the meaning of paragraphs 7 and 21 of Schedule 28 to FA 2004),
  - (j) is a payment to the person of an annuity purchased using sums or assets held for the purposes of an arrangement relating to the person under the scheme where—
    - (i) the payment would, if the scheme were a registered pension scheme, be of a lifetime annuity or dependants' annuity within paragraph 3(1A) or 17(1ZA), as the case may be, of Schedule 28 to FA 2004, and
    - (ii) the terms of the contract under which it is paid are such that there will or could be decreases in the amount of the annuity other than decreases which, if the scheme were a registered pension scheme, would be decreases from time to time allowed by regulations under paragraph 3(1)(d) or 17(1)(c), as the case may be, of Schedule 28 to FA 2004 (and any such regulations are to be treated as having effect for this purpose), or
  - (k) is a payment to the person under a money purchase arrangement relating to the person under the scheme that, if the scheme were a registered pension scheme, would be a payment to the person of a scheme pension that the person would for the purposes of Part 4 of FA 2004 be treated as having become entitled to at a time on or after 6 April 2015 when fewer than 11 other individuals were entitled to present payment of a scheme pension under the scheme.
- (4B) For the purpose of determining whether the figure specified at the end of subsection (1) is exceeded, any relevant withdrawal paid in a currency other than sterling is to be translated into sterling using the average exchange rate for the year ending with 31 March in the tax year in which the relevant withdrawal is paid.”
- (5) In each of subsections (5) to (7) omit “non-UK income”.
- (6) In subsection (8)—
- (a) for the definition of “flexible drawdown arrangement” substitute—
    - ““member's flexi-access drawdown fund” and “dependant's flexi-access drawdown fund” have the same meaning as in Part 4 of FA 2004 (see paragraphs 8A and 22A of Schedule 28 to FA 2004);”

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- (b) omit the definition of “relevant non-UK income withdrawal”, and
- (c) before the definition of “year of non-residence” insert—

““scheme pension” means a scheme pension within the meaning of paragraph 2 of Schedule 28 to FA 2004 or a dependants' scheme pension within the meaning of paragraphs 16 to 16C of that Schedule;”.

(7) The amendments made by this paragraph come into force on 6 April 2015.

#### **Commencement Information**

**19** Sch. 1 para. 84 in force at Royal Assent, but see sub-para. (7)

#### *Regulations about the effects of certain authorised payments*

85 In section 164 of FA 2004 (authorised payments) after subsection (2) insert—

“(3) The Commissioners for Her Majesty's Revenue and Customs may by regulations make provision—

- (a) having the effect that the making of a prescribed authorised payment does not (directly or indirectly) result in an individual first flexibly accessing pension rights for the purposes of sections 227B to 227F,
- (b) having the effect that the making of a prescribed authorised payment is not a relevant withdrawal for the purposes of section 579CA of ITEPA 2003, and
- (c) having the effect that the making of a prescribed payment by a pension scheme that is not a registered pension scheme, where the payment would be an authorised payment if the scheme were a registered pension scheme, is not a relevant withdrawal for the purposes of section 576A of ITEPA 2003.

(4) In subsection (3)—

“authorised payment” means a payment specified in subsection (1), and

“prescribed” means prescribed in regulations under subsection (3).”

## **PART 6**

### **PROVISION OF INFORMATION**

86 The Registered Pension Schemes (Provision of Information) Regulations 2006 (S.I. 2006/567) are amended as follows.

87 After regulation 14 insert—

*“Information provided to member by scheme administrator where it appears member may be first flexibly accessing pension rights*

14ZA1) If a relevant event (see paragraph (2)) occurs in relation to a member of a registered pension scheme, the scheme administrator—

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- (a) must provide the member with a statement—
    - (i) stating the date of the relevant event, and
    - (ii) explaining the matters specified in paragraph (3), and
  - (b) must do so before the end of the 31 days beginning with the date of the relevant event,
- but this is subject to paragraph (4).
- (2) For the purposes of this regulation—
- (a) if—
    - (i) the member has a member's flexi-access drawdown fund in respect of an arrangement under the scheme, and
    - (ii) the fund came into being as a result of sums or assets being designated on or after 6 April 2015 as available for the payment of drawdown pension, or as a result of the operation of paragraph 8D(2) of Schedule 28,

a relevant event occurs when a qualifying payment is made to the member from the fund,
  - (b) if—
    - (i) the member has a member's drawdown pension fund in respect of an arrangement under the scheme, and
    - (ii) the sums and assets that make up the fund become newly-designated funds by the operation of paragraph 8B of Schedule 28,

a relevant event occurs when a qualifying payment is made to the member from the member's flexi-access drawdown fund in respect of the arrangement,
  - (c) a relevant event occurs when an uncrystallised funds pension lump sum is paid to the member by the scheme,
  - (d) if the member is entitled to payment of a lifetime annuity under a flexible annuity contract as defined by section 227G(8), a relevant event occurs when the first payment of the annuity is made,
  - (e) if—
    - (i) the member is entitled to payment of a scheme pension under a money purchase arrangement under the scheme,
    - (ii) the member became entitled to the scheme pension on or after 6 April 2015,
    - (iii) the member became entitled to the scheme pension at a time when fewer than 11 other individuals were entitled to the present payment of a scheme pension, or dependants' scheme pension, under the scheme, and
    - (iv) the scheme pension is not payable under an annuity contract treated under section 153(8) or (8A) as having become a registered pension scheme,

a relevant event occurs when the first payment of the scheme pension is made, and
  - (f) a relevant event occurs when a stand-alone lump sum is paid on or after 6 April 2015 to the member by the scheme in circumstances where article 25B(2) of the Taxation of Pension Schemes (Transitional Provisions) Order 2006 applies.

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- (3) The matters mentioned in paragraph (1)(a)(ii) are—
- (a) that a relevant event has occurred in relation to the member and that, as a result, the member has flexibly accessed the member's pension rights (although may have first done so previously),
  - (b) that if in any tax year the total of the pension inputs to money purchase arrangements, and certain hybrid arrangements, relating to the member exceeds £10,000—
    - (i) there will be an annual allowance tax charge on the excess, and
    - (ii) the annual allowance for pension inputs to other arrangements relating to the member will be £10,000 less than it would otherwise be, and
  - (c) the duties under regulation 14ZB and the circumstances in which the member will have to comply with them.
- (4) The scheme administrator is not required to comply with paragraph (1) in relation to the relevant event if—
- (a) the scheme administrator has complied with paragraph (1) in respect of an earlier relevant event, or
  - (b) the scheme administrator is, at any time before complying with paragraph (1) in relation to the relevant event, informed—
    - (i) by the member, or
    - (ii) by the scheme administrator of another registered pension scheme,that the member flexibly accessed pension rights at a time before the relevant event occurred.
- (5) In this regulation, a reference to a qualifying payment from a fund is a reference to—
- (a) payment of income withdrawal from the fund, or
  - (b) payment of a short-term annuity purchased using sums or assets out of the fund,
- but does not include payment at a time when the whole of the fund represents rights attributable to a disqualifying pension credit.
- (6) In paragraph (5) “disqualifying pension credit” is to be read in accordance with paragraph 2(3) and (4) of Schedule 29.

*Passing-on by member of information under regulation 14ZA if active or contributing etc*

- 14ZB(1) Paragraphs (3) and (4) apply if—
- (a) an individual receives a statement under regulation 14ZA from the scheme administrator of a registered pension scheme (the “flexed” registered pension scheme), and
  - (b) on the date of the relevant event concerned, or at any later time, the individual is an accruing member (see paragraph (7)) of the flexed or any other registered pension scheme.
- (2) In this regulation—

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“the relevant 13-week period” means the period of 91 days beginning with—

- (a) the date of receipt if the individual is an accruing member of any registered pension scheme on any day in the period—
  - (i) beginning with the date of the relevant event concerned, and
  - (ii) ending with the date of receipt, or
- (b) if not, the first day after the date of receipt when the individual is an accruing member of a registered pension scheme, and

“the intervening period” means the period—

- (a) beginning with the date of the relevant event concerned, and
- (b) ending with the first day of the relevant 13-week period.

- (3) The individual must before the end of the relevant 13-week period—
  - (a) pass on a copy of the statement, or
  - (b) otherwise give notice—
    - (i) of receipt of the statement, and
    - (ii) of the date of the relevant event concerned or (if applicable) of its having occurred more than 2 years before the start of the relevant 13-week period,

to the scheme administrator of each other registered pension scheme of which the individual is an accruing member on any day in the intervening period; but this is subject to paragraph (6).

- (4) Where, in the case of a particular registered pension scheme other than the flexed scheme, the individual is not an accruing member of that other scheme on any day in the intervening period but becomes an accruing member of that other scheme on a day (“the activation day”) after the last day of that period, the individual must before the end of the 91 days beginning with the activation day—
  - (a) pass on a copy of the statement, or
  - (b) otherwise give notice—
    - (i) of receipt of the statement, and
    - (ii) of the date of the relevant event concerned or (if applicable) of its having occurred more than 2 years before the activation day,

to the scheme administrator of that other scheme; but this is subject to paragraphs (5) and (6).

- (5) Paragraph (4) does not apply in connection with the individual becoming an accruing member of any particular scheme if the individual becomes an accruing member of that scheme upon or after becoming a member of that scheme as a result of a recognised transfer after the date of the relevant event concerned.
- (6) Paragraph (3) or (4), as the case may be, does not require the information concerned to be provided to the scheme administrator of a particular scheme if the individual has complied with regulation 14ZD(3) or (4) or 14ZE(3) or (4), or has previously complied with paragraph (3) or (4), in relation to the scheme administrator of that scheme.



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*Changes to legislation: There are currently no known outstanding effects for the Taxation of Pensions Act 2014. (See end of Document for details)*

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- (7) For the purposes of this regulation, the individual is an accruing member of a registered pension scheme on any particular day if—
- (a) the individual is an active member of the scheme on that day as a result of there presently being arrangements for the accrual of benefits to or in respect of the individual under a cash balance arrangement or hybrid arrangement, or
  - (b) a relevant contribution is made under the scheme on that day.
- (8) For the purposes of this regulation, a relevant contribution is made under a registered pension scheme if—
- (a) a relievable pension contribution is paid by or on behalf of the individual under a non-cash-balance money purchase arrangement relating to the individual under the scheme,
  - (b) a contribution is paid in respect of the individual by an employer of the individual under a non-cash-balance money purchase arrangement relating to the individual under the scheme, or
  - (c) a contribution—
    - (i) paid under the scheme by an employer of the individual, and
    - (ii) paid otherwise than in respect of any individual,becomes held for the purposes of a non-cash-balance money purchase arrangement relating to the individual under the scheme; and in this paragraph “non-cash-balance money purchase arrangement” means a money purchase arrangement other than a cash balance arrangement.

*Information between scheme administrators on recognised transfers*

14Z(1) Paragraph (2) applies if—

- (a) in connection with a member of a registered pension scheme (“the transferring scheme”), there is a recognised transfer from the transferring scheme to another registered pension scheme (“the recipient scheme”), and
  - (b) the scheme administrator of the transferring scheme has reason to believe that the member first flexibly accessed pension rights before the transfer.
- (2) The scheme administrator of the transferring scheme must provide the scheme administrator of the recipient scheme with a statement—
- (a) stating that the scheme administrator of the transferring scheme has reason to believe that the member first flexibly accessed pension rights before the transfer, and
  - (b) specifying the date the scheme administrator of the transferring scheme understands to be the date when the member first flexibly accessed pension rights.
- (3) The requirement under paragraph (2) is to be complied with before—
- (a) the end of the 31 days beginning with the date of the transfer, or
  - (b) if later, the end of the 31 days beginning with the date when the scheme administrator of the transferring scheme first has reason for the belief mentioned in paragraph (1)(b).

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*Changes to legislation: There are currently no known outstanding effects for the Taxation of Pensions Act 2014. (See end of Document for details)*

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- (4) References in this regulation to an individual first flexibly accessing pension rights are to be read in accordance with section 227G.

*Individual to whom flexible drawdown arrangements applied before 6 April 2015 must tell other schemes if active or contributing etc*

- 14ZD(1) Paragraphs (3) and (4) apply if—
- (a) at any time before 6 April 2015, section 165(3A) applied to an arrangement relating to an individual under a registered pension scheme (the “flexed” registered pension scheme), and
  - (b) on or after 6 April 2015, the individual is an accruing member (see paragraph (9)) of the flexed or any other registered pension scheme.
- (2) In this regulation “the relevant 13-week period” means the period of 91 days beginning with—
- (a) 6 April 2015 if on that date the individual is an accruing member of any registered pension scheme, or
  - (b) if not, the first day after 6 April 2015 when the individual is an accruing member of a registered pension scheme.
- (3) The individual must, before the end of the relevant 13-week period, provide the information specified in paragraph (5) to the scheme administrator of each registered pension scheme of which the individual is an accruing member on the first day of the relevant 13-week period; but this is subject to paragraphs (6) and (8).
- (4) Where, in the case of a particular registered pension scheme other than the flexed scheme, the individual is not an accruing member of that other scheme on the first day of the relevant 13-week period but becomes an accruing member of that other scheme on a day (“the activation day”) after the first day of that period, the individual must, before the end of the 91 days beginning with the activation day, provide the information specified in paragraph (5) to the scheme administrator of that other scheme; but this is subject to paragraphs (7) and (8).
- (5) The information is that, as a result of section 227G(3), the individual is treated for the purposes of sections 227B to 227F as having first flexibly accessed pension rights at the start of 6 April 2015.
- (6) Paragraph (3) does not require that information to be provided to the scheme administrator of a particular scheme if, immediately before 6 April 2015, section 165(3A) applied to an arrangement relating to the individual under that scheme.
- (7) Paragraph (4) does not require that information to be provided to the scheme administrator of a particular scheme if the individual becomes an accruing member of that scheme upon or after becoming a member of that scheme as a result of a recognised transfer made to the scheme after 6 April 2015.
- (8) Paragraph (3) or (4), as the case may be, does not require that information to be provided to the scheme administrator of a particular scheme if the individual has complied with regulation 14ZB(3) or (4) or 14ZE(3) or (4), or has previously complied with paragraph (3) or (4), in relation to the scheme administrator of that scheme.

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*Changes to legislation: There are currently no known outstanding effects for the Taxation of Pensions Act 2014. (See end of Document for details)*

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- (9) For the purposes of this regulation, the individual is an accruing member of a registered pension scheme on any particular day if—
- (a) the individual is an active member of the scheme on that day as a result of there presently being arrangements for the accrual of benefits to or in respect of the individual under a cash balance arrangement or hybrid arrangement, or
  - (b) a relevant contribution is made under the scheme on that day.
- (10) For the purposes of this regulation, a relevant contribution is made under a registered pension scheme if—
- (a) a relievable pension contribution is paid by or on behalf of the individual under a non-cash-balance money purchase arrangement relating to the individual under the scheme,
  - (b) a contribution is paid in respect of the individual by an employer of the individual under a non-cash-balance money purchase arrangement relating to the individual under the scheme, or
  - (c) a contribution—
    - (i) paid under the scheme by an employer of the individual, and
    - (ii) paid otherwise than in respect of any individual,becomes held for the purposes of a non-cash-balance money purchase arrangement relating to the individual under the scheme; and in this paragraph “non-cash-balance money purchase arrangement” means a money purchase arrangement other than a cash balance arrangement.

*Member to inform other schemes if active or contributing etc and, under paragraph 8C of Schedule 28, drawdown pension fund becomes flexi-access drawdown fund*

- 14ZE) Paragraphs (3) and (4) apply if—
- (a) under paragraph 8C of Schedule 28, the drawdown pension fund in respect of an arrangement relating to an individual under a registered pension scheme (the “flexed” registered pension scheme) becomes the individual’s flexi-access drawdown fund in respect of the arrangement, and
  - (b) on the conversion date, or at any later time, the individual is an accruing member (see paragraph (7)) of the flexed or any other registered pension scheme.
- (2) In this regulation “the relevant 13-week period” means the period of 91 days beginning with—
- (a) the conversion date if on that date the individual is an accruing member of any registered pension scheme, or
  - (b) if not, the first day after that date when the individual is an accruing member of a registered pension scheme.
- (3) The individual must, before the end of the relevant 13-week period, inform the scheme administrator of each other registered pension scheme of which the individual is an accruing member on the first day of the relevant 13-week period—
- (a) of the conversion, and

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- (b) of the conversion date or (if applicable) of the conversion's having occurred more than 2 years before the start of the relevant 13-week period;
- but this is subject to paragraph (6).
- (4) Where, in the case of a particular registered pension scheme other than the flexed scheme, the individual is not an accruing member of that other scheme on the first day of the relevant 13-week period but becomes an accruing member of that other scheme on a day ( “ the activation day ”) after the first day of that period, the individual must, before the end of the 91 days beginning with the activation day, inform the scheme administrator of that other scheme—
- (a) of the conversion, and
  - (b) of the conversion date or (if applicable) of the conversion's having occurred more than 2 years before the activation day;
- but this is subject to paragraphs (5) and (6).
- (5) Paragraph (4) does not apply in connection with the individual becoming an accruing member of any particular scheme if the individual becomes an accruing member of that scheme upon or after becoming a member of that scheme as a result of a recognised transfer after the conversion date.
- (6) Paragraph (3) or (4), as the case may be, does not require the information concerned to be provided to the scheme administrator of a particular scheme if the individual has complied with regulation 14ZB(3) or (4) or 14ZD(3) or (4), or has previously complied with paragraph (3) or (4), in relation to the scheme administrator of that scheme.
- (7) For the purposes of this regulation, the individual is an accruing member of a registered pension scheme on any particular day if—
- (a) the individual is an active member of the scheme on that day as a result of there presently being arrangements for the accrual of benefits to or in respect of the individual under a cash balance arrangement or hybrid arrangement, or
  - (b) a relevant contribution is made under the scheme on that day.
- (8) For the purposes of this regulation, a relevant contribution is made under a registered pension scheme if—
- (a) a relievable pension contribution is paid by or on behalf of the individual under a non-cash-balance money purchase arrangement relating to the individual under the scheme,
  - (b) a contribution is paid in respect of the individual by an employer of the individual under a non-cash-balance money purchase arrangement relating to the individual under the scheme, or
  - (c) a contribution—
    - (i) paid under the scheme by an employer of the individual, and
    - (ii) paid otherwise than in respect of any individual,
becomes held for the purposes of a non-cash-balance money purchase arrangement relating to the individual under the scheme;
- and in this paragraph “non-cash-balance money purchase arrangement” means a money purchase arrangement other than a cash balance arrangement.”

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### Commencement Information

**110** Sch. 1 para. 87 in force at Royal Assent, but see Sch. 1 para. 91

- 88 (1) Regulation 14A (annual allowance: annual provision of information by scheme administrator to member) is amended as follows.
- (2) In paragraph (1) (duty to provide annual pension savings statement)—
- (a) in paragraph (b) at the beginning insert “either—
- (i)”,
- (b) in paragraph (b) at the end insert “or
- (ii) both of the conditions in paragraph (9) are met,”,
- and
- (c) after “containing the information” insert “ specified in paragraph (10) if the condition in sub-paragraph (b)(ii) is met but otherwise containing the information ”.
- (3) In the first sentence of paragraph (8) for “(1)” substitute “ (1)(a) ”.
- (4) After paragraph (8) insert—
- “(9) The conditions referred to in paragraph (1)(b)(ii) are as follows.
- Condition D* The scheme administrator has reason to believe that the member has first flexibly accessed pension rights for the purposes of sections 227B to 227F.
- Condition E* That the overall total of the following amounts is more than £10,000—
- (a) for each money purchase arrangement relating to the member under the scheme, the pension input amount for the relevant pension input period in respect of the arrangement, and
- (b) for each hybrid arrangement relating to the member under the scheme, the greater of such of input amounts A and B mentioned in section 237 as are, for the purposes of section 237, relevant input amounts for the relevant pension input period in the case of the arrangement.
- (10) The information is—
- (a) the total of—
- (i) the pension input amounts for the relevant pension input period in respect of each money purchase arrangement relating to the member under the scheme, and
- (ii) the pension input amounts for the relevant pension input period in respect of each hybrid arrangement under the scheme—
- (aa) that relates to the member, and
- (bb) for which the pension input amount for the relevant pension input period is input amount A or B mentioned in section 237,
- (b) the total of—

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- (i) the pension input amounts for the relevant pension input period in respect of each defined benefits arrangement relating to the member under the scheme, and
  - (ii) the pension input amounts for the relevant pension input period in respect of each hybrid arrangement under the scheme—
    - (aa) that relates to the member,
    - (bb) for which the pension input amount for the relevant pension input period is input amount C mentioned in section 237, and
    - (cc) that is made before 14 October 2014 and has not become a hybrid arrangement (whether or not for the first time) on or after that day,
  - (c) for each hybrid arrangement relating to the member under the scheme—
    - (i) that is made on or after 14 October 2014 or has become a hybrid arrangement (whether or not for the first time) on or after that day, and
    - (ii) for which the pension input amount for the relevant pension input period is input amount C mentioned in section 237, which of input amounts A, B and C mentioned in section 237 is a relevant input amount for the purposes of section 237 for the relevant pension input period in the case of the arrangement, and the amount of each of those input amounts that in the case of the arrangement is a relevant input amount for those purposes for that period,
  - (d) the unadjusted alternative annual allowance for the relevant tax year, and the fact the member's money-purchase input sub-total for the relevant tax year will be tested against a £10,000 allowance,
  - (e) the unadjusted alternative annual allowance for each of the three preceding tax years, and the fact that the member's money-purchase input sub-total for each of those preceding years will be tested against a £10,000 allowance or, if any of those preceding years is earlier than the tax year 2015-16, the annual allowance for each such earlier year, and
  - (f) for each of those three preceding years, the information given in the pension savings statement for the pension input period ending in that year under, as the case may be, sub-paragraphs (a) to (c) or paragraph (2)(a).
- (11) If, in the case of a hybrid arrangement, input amount C mentioned in section 237—
- (a) is a relevant input amount for the purposes of section 237 for the relevant pension input period, and
  - (b) is equal to—
    - (i) input amount A or B mentioned in section 237 if that is the only other relevant input amount for the purposes of section 237 for that period, or
    - (ii) the greater of input amounts A and B mentioned in section 237 if both are relevant input amounts for the purposes of section 237 for that period,

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the pension input amount in respect of the arrangement for that period is, for the purposes of paragraph (10), treated as being input amount A or B or, as the case may be, the greater of input amounts A and B (and, in either case, not input amount C).

- (12) In paragraph (10)(d) and (e) “the unadjusted alternative annual allowance”, in relation to a tax year, means the amount that would be the member's alternative annual allowance under section 227B(2) for that tax year if any increases under section 228A(2) (carry forward of unused allowance from preceding 3 years) are ignored.”

**Commencement Information**

**I11** [Sch. 1 para. 88](#) in force at Royal Assent, but see [Sch. 1 para. 91](#)

- 89 In regulation 14B(1) (information mentioned in regulation 14A to be supplied by scheme administrator at member's request where no automatic duty to supply it) for “regulations 14A(2) or (7)” substitute “regulation 14A(2), (7) or (10)”.

**Commencement Information**

**I12** [Sch. 1 para. 89](#) in force at Royal Assent, but see [Sch. 1 para. 91](#)

- 90 (1) The table in regulation 3(1) (provision of event reports by scheme administrators to HM Revenue and Customs) is amended as follows.
- (2) In column 1 of the entry for reportable event 22 (report where scheme administrator provides pension savings statement under regulation 14A(1)) after “14A(1)” insert “containing the information specified in regulation 14A(2)”.
- (3) After the entry for reportable event 22 insert—

“23 Dual annual allowances

The scheme administrator is required to provide a member with a pension savings statement under regulation 14A(1) containing the information specified in regulation 14A(10).	The tax year for which the statement is provided and the name and national insurance number of the member together with the information specified in regulation 14A(10)(a) and (b).”
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**Commencement Information**

**I13** [Sch. 1 para. 90](#) in force at Royal Assent, but see [Sch. 1 para. 91](#)

- 91 The amendments made by this Part of the Schedule—
- (a) come into force on 6 April 2015, and
- (b) are to be treated as having been made by the Commissioners for Her Majesty's Revenue and Customs under such of the powers cited in the instrument containing the Regulations as are applicable.

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## PART 7

### OVERSEAS PENSIONS

- 92 In section 169(4) of FA 2004 (regulations about the provision of information by scheme managers of schemes that are or have been qualifying recognised overseas pension schemes) before the “and” at the end of paragraph (b) insert—
- “(ba) give information of a prescribed description to the scheme manager of a QROPS or former QROPS,
  - (bb) give information of a prescribed description to the scheme administrator of a registered pension scheme,
  - (bc) give information of a prescribed description to a member, or former member, of the QROPS or former QROPS.”.
- 93 (1) Section 251 of FA 2004 (regulations about the provision of information) is amended as follows.
- (2) In subsection (4)—
- (a) omit the “or” at the end of paragraph (a), and
  - (b) after paragraph (b) insert—
    - “(c) requiring scheme administrators of registered pension schemes to provide information of a prescribed description to scheme managers of qualifying recognised overseas pension schemes, or
    - (d) requiring members or former members of a relevant non-UK pension scheme to provide information to the scheme administrators, or scheme managers, of registered pension schemes or other relevant non-UK pension schemes.”
- (3) In subsection (6) at the end insert “; and “relevant non-UK scheme” has the meaning given by paragraph 1 of Schedule 34 ”.
- 94 In paragraph 5 of Schedule 33 to FA 2004 (conditions for scheme to be qualifying overseas pension scheme include condition that manager has undertaken to comply with prescribed benefit crystallisation information requirements) after sub-paragraph (2) insert—
- “(2A) In sub-paragraph (2) “information relating to events that are benefit crystallisation events”, in relation to any individuals, includes (in particular) information relating to occasions that are, or could (depending on their relative timing) be, the occasions on which the individuals first flexibly access pension rights for the purposes of sections 227B to 227F.”
- 95 (1) Schedule 34 to FA 2004 (application of certain tax charges to non-UK schemes) is amended as follows.
- (2) In paragraph 1(3) (list of “member payment charges”) before the “and” at the end of paragraph (d) insert—
- “(da) the charges under section 636A(1A) and (1B) of ITEPA 2003 (uncrystallised funds pension lump sums),”.
- (3) In paragraph 1(4)—
- (a) after “The “member payment provisions” are” insert “—
    - (a)”,
 and



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- (b) at the end insert “, and  
(b) section 636A(1A) to (1C) of ITEPA 2003.”
- (4) After paragraph 5 insert—  
“5A (1) Sub-paragraph (2) applies if—  
(a) a payment is made (or treated by this Part as made) to or in respect of a relieved member or transfer member of a relevant non-UK scheme, and  
(b) there is an amount of tax under a member payment charge that would be payable in respect of the payment, or part of the payment, but for the operation of double taxation arrangements.  
(2) The payment or (as the case may be) that part of it—  
(a) is “pension” for the purposes of Chapter 4 of Part 9 of ITEPA 2003 (foreign pensions), and  
(b) is to be treated as included in the list, in section 576A of ITEPA 2003, of payments that are “relevant withdrawals” for the purposes of that section.”
- (5) In paragraph 6 (tax under member payment charges to be reduced by foreign tax in respect of the payment concerned)—  
(a) in sub-paragraph (1) after “in consequence of paragraph 1” insert “, or by virtue of the operation of Chapter 4 of Part 9 of ITEPA 2003 in consequence of paragraph 5A, ”, and  
(b) in sub-paragraph (2) after “in consequence of paragraph 1” insert “ or 5A ”.
- (6) In paragraph 7(2) (regulations modifying the application, in relation to relevant non-UK schemes, of the member payment provisions) after paragraph (b) insert—  
“(ba) contain transitional provisions and savings.”.
- (7) After paragraph 9 insert—  
“9ZA(1) For the purposes of determining the annual allowance charge in the case of an individual for a relevant tax year, a pension scheme is to be treated for the purposes of section 227G as a registered pension scheme if—  
(a) in relation to that tax year, or  
(b) in relation to any earlier tax year (whether or not a relevant tax year), the scheme is a currently-relieved non-UK pension scheme and the individual is a currently-relieved member of the scheme.  
(2) For the purposes of this paragraph, a tax year is a “relevant tax year” in relation to an individual if—  
(a) it is—  
(i) the first tax year in relation to which the individual is a currently-relieved member of any currently-relieved non-UK pension scheme, or  
(ii) if later, the tax year 2015-16, or  
(b) it is a tax year subsequent to the tax year identified under paragraph (a).  
9ZB(1) Sub-paragraph (2) has effect if at any particular time—  
(a) an individual is a transfer member of a relevant non-UK scheme,

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- (b) the scheme is, or at any previous time has been, a qualifying recognised overseas pension scheme, and
  - (c) the particular time is not in a tax year in relation to which the scheme is a currently-relieved non-UK pension scheme of which the individual is a currently-relieved member.
- (2) Section 227G applies in the individual's case as if the scheme, so far as relating to the individual's relevant transfer fund under the scheme, were a registered pension scheme at the particular time.
- (3) The reference in sub-paragraph (2) to the individual's relevant transfer fund under the relevant non-UK scheme is to be read in accordance with paragraph 4.”
- (8) In paragraph 11 (calculating pension input amounts for certain non-UK money purchase arrangements) after sub-paragraph (2) insert—
- “(3) Where a calculation under section 233(1) as applied by paragraph 8 is being carried out for the purposes of section 227F(3) in respect of a period that ends at the end of a tax year (see paragraph 9 and section 227F(1)), the appropriate fraction for the purposes of sub-paragraph (1)(b) is the appropriate fraction given by sub-paragraph (2) for that tax year (even where the period in respect of which the calculation is being carried out is part only of that tax year).”
- (9) In paragraphs 12(2) and 19(2) (regulations modifying the application, in relation to relevant non-UK schemes, of the annual allowance provisions and lifetime allowance provisions) before the “and” at the end of paragraph (b) insert—
- “(ba) contain transitional provisions and savings.”.
- 96 (1) The Pension Schemes (Application of UK Provisions to Relevant Non-UK Schemes) Regulations 2006 (S.I. 2006/207) are amended as follows.
- (2) In regulation 5 (Part 4 of FA 2004 is modified in accordance with Part 3 of the Regulations) for “these Regulations” substitute “ this Part ”.
- (3) Regulation 15 (modifications of Schedule 29 to FA 2004 in its application to relevant non-UK schemes) is amended in accordance with sub-paragraphs (4) to (14).
- (4) In paragraph (2), in the inserted paragraph 1(4B), before the “and” at the end of paragraph (a) insert—
- “(aa) the referable portion of any previous uncrystallised funds pension lump sum paid to or in respect of the member by a recognised overseas pension scheme;”.
- (5) In paragraph (2), in the inserted paragraph 1(4C), before the “and” at the end of paragraph (a) insert—
- “(aa) the referable portion of any previous uncrystallised funds pension lump sum to which the member became entitled under a relevant non-UK scheme since the paragraph 15 BCE occurred;”.
- (6) In paragraph (3)(a), in the inserted definition of “RP”, after “any previous pension commencement lump sum” insert “ or previous uncrystallised funds pension lump sum ”.

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- (7) In paragraph (3)(b), in the inserted paragraph 2(7ZA), after “to a pension commencement lump sum,” insert “ or to an uncrystallised funds pension lump sum,”.
- (8) In paragraph (4)(b), in the inserted paragraph 4(6), before the “and” at the end of paragraph (a) insert—
- “(aa) the referable portion of any previous uncrystallised funds pension lump sum paid to or in respect of the member by a recognised overseas pension scheme;”.
- (9) In paragraph (4)(b), in the inserted paragraph 4(7), before the “and” at the end of paragraph (a) insert—
- “(aa) the referable portion of any earlier uncrystallised funds pension lump sum to which the member became entitled under a relevant non-UK scheme since the paragraph 15 BCE occurred;”.
- (10) After paragraph (4) insert—
- “(4A) In paragraph 4A (uncrystallised funds pension lump sums) after sub-paragraph (2) insert—
    - “(2A) In determining for the purposes of sub-paragraph (1)(b) whether all or part of the member's lifetime allowance is available—
      - (a) disregard any amount treated as crystallising by virtue of a relevant BCE, and
      - (b) the amount of the allowance available is reduced by the amount determined in accordance with sub-paragraph (2B) or (2C), as the case may require.
    - (2B) Where benefit crystallisation event 8 has occurred, the member's lifetime allowance that is available is reduced by the aggregate of—
      - (a) the referable portion of any previous pension commencement lump sum paid to or in respect of the member by a recognised overseas pension scheme,
      - (b) the referable portion of any previous uncrystallised funds pension lump sum paid to or in respect of the member by a recognised overseas pension scheme, and
      - (c) the referable portion of the amount which would have crystallised by virtue of the member becoming entitled to a pension, had the scheme paying it been a registered pension scheme and disregarding paragraph 2 of Schedule 32.
    - (2C) Where the paragraph 15 BCE has occurred, the member's lifetime allowance that is available is reduced by the aggregate of—
      - (a) the referable portion of any earlier pension commencement lump sum to which the member became entitled under a relevant non-UK scheme since the paragraph 15 BCE occurred,
      - (b) the referable portion of any earlier uncrystallised funds pension lump sum to which the member became entitled under a relevant non-UK scheme since the paragraph 15 BCE occurred, and

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- (c) in respect of any pension to which the member has become entitled since the paragraph 15 BCE occurred, the referable portion of the amount which would have crystallised by virtue of the member's becoming entitled to the pension, had the scheme paying it been a registered pension scheme and disregarding paragraph 2 of Schedule 32.””
- (11) In paragraph (6), in the inserted paragraph 7(7), before the “and” at the end of paragraph (a) insert—
- “(aa) the referable portion of any previous uncrystallised funds pension lump sum paid to or in respect of the member by a recognised overseas pension scheme;”.
- (12) In paragraph (6), in the inserted paragraph 7(8), before the “and” at the end of paragraph (a) insert—
- “(aa) the referable portion of any earlier uncrystallised funds pension lump sum to which the member became entitled under a relevant non-UK scheme since the paragraph 15 BCE occurred;”.
- (13) In paragraph (7), in the inserted paragraph 10(5), before the “and” at the end of paragraph (a) insert—
- “(aa) the referable portion of any previous uncrystallised funds pension lump sum paid to or in respect of the member by a recognised overseas pension scheme;”.
- (14) In paragraph (7), in the inserted paragraph 10(6), before the “and” at the end of paragraph (a) insert—
- “(aa) the referable portion of any earlier uncrystallised funds pension lump sum to which the member became entitled under a relevant non-UK scheme since the paragraph 15 BCE occurred;”.
- (15) After Part 3 insert—

#### “PART 4

##### **Modifications to section 636A of ITEPA 2003 in respect of relevant non-UK schemes**

18 Section 636A(1B) of the Income Tax (Earnings and Pensions) Act 2003 (income tax on uncrystallised funds pension lump sums under registered pension schemes: meaning of “member's available lifetime allowance”) has effect in relation to relevant non-UK schemes as if the following provisions were inserted in section 636A of that Act after subsection (1C)—

- “(1D) In determining the member's available lifetime allowance for the purposes of subsection (1B)—
- (a) disregard any amount treated as crystallising by virtue of—
- (i) benefit crystallisation event 8 (see section 216 of, and Schedule 32 to, FA 2004), or
- (ii) the benefit crystallisation event treated as occurring by virtue of paragraph 15 of Schedule 34 to FA 2004 (“the paragraph 15 BCE”), and

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- (b) the amount of the allowance available is reduced by the amount determined in accordance with subsection (1E) or (1F), as the case may require.

(1E) Where benefit crystallisation event 8 has occurred, the member's available lifetime allowance is reduced by the aggregate of—

- (a) the referable portion of any previous pension commencement lump sum paid to or in respect of the member by a recognised overseas pension scheme,
- (b) the referable portion of any previous uncrystallised funds pension lump sum paid to or in respect of the member by a recognised overseas pension scheme, and
- (c) the referable portion of the amount which would have crystallised by virtue of the member becoming entitled to a pension, had the scheme paying it been a registered pension scheme and disregarding paragraph 2 of Schedule 32 to FA 2004;

and in this subsection “referable portion” means portion referable to the member's relevant transfer fund (within the meaning given by paragraph 4 of Schedule 34 to FA 2004).

(1F) Where the paragraph 15 BCE has occurred, the member's available lifetime allowance is reduced by the aggregate of—

- (a) the referable portion of any earlier pension commencement lump sum to which the member became entitled under a relevant non-UK scheme since the paragraph 15 BCE occurred,
- (b) the referable portion of any earlier uncrystallised funds pension lump sum to which the member became entitled under a relevant non-UK scheme since the paragraph 15 BCE occurred, and
- (c) in respect of any pension to which the member has become entitled since the paragraph 15 BCE occurred, the referable portion of the amount which would have crystallised by virtue of the member's becoming entitled to the pension, had the scheme paying it been a registered pension scheme and disregarding paragraph 2 of Schedule 32 to FA 2004;

and in this subsection “referable portion” means portion referable to the member's UK tax-relieved fund (within the meaning given by paragraph 3 of Schedule 34 to FA 2004).

(1G) In subsections (1E) and (1F)—

“recognised overseas pension scheme” and “pension” have the same meaning as in Part 4 of FA 2004 (see section 280(2) of FA 2004), and

“relevant non-UK scheme” has the same meaning as in Schedule 34 to FA 2004 (see paragraph 1 of that Schedule).”””

(16) The amendments made by this paragraph—

- (a) have effect in relation to lump sums paid on or after 6 April 2015, and
- (b) are to be treated as having been made by the Commissioners for Her Majesty's Revenue and Customs under such of the powers conferred on them by Schedule 34 to FA 2004 (as amended by this Schedule) as are applicable.

97 (1) In this paragraph—

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“the 2013 Regulations” means the Registered Pension Schemes and Overseas Pension Schemes (Miscellaneous Amendments) Regulations 2013 (S.I. 2013/2259), and

“the 2006 Regulations” means the Pension Schemes (Information Requirements for Qualifying Overseas Pension Schemes, Qualifying Recognised Overseas Pension Schemes and Corresponding Relief) Regulations 2006 (S.I. 2006/208).

- (2) In regulation 3 of the 2013 Regulations (paragraph 3(1A) of the 2006 Regulations has effect in relation to 5-year periods ending on or after 1 April 2015) for “1st April 2015” substitute “ 6 April 2016 ”.
- (3) In regulation 3(1C)(a) of the 2006 Regulations (transitional modification of the time limit in regulation 3(1A)) for “1st April 2010” substitute “ 6 April 2011 ”.

## SCHEDULE 2

Section 3

### DEATH OF PENSION SCHEME MEMBER

#### PART 1

#### DEATH BENEFITS: NOMINEES AND SUCCESSORS

##### *Drawdown benefits for nominees and successors of deceased scheme members*

- 1 FA 2004 is amended as follows.
- 2 (1) Section 167 (the pension death benefit rules) is amended as follows.
- (2) In pension death benefit rule 1 (pension death benefit may be paid only to dependant of deceased member) after “dependant” insert “ , or nominee or successor, ”.
- (3) After pension death benefit rule 3 (pension death benefits which may be paid under a money purchase arrangement to a dependant) insert—
- “Pension death benefit rule 3A No payment of pension death benefit, other than nominees' drawdown pension in respect of a money purchase arrangement, may be made to a nominee of the member.*
- Pension death benefit rule 3B No payment of pension death benefit, other than successors' drawdown pension in respect of a money purchase arrangement, may be made to a successor of the member.”*
- (4) After subsection (1) insert—
- “(1A) For the purposes of this Part, a person becomes entitled to dependants' income withdrawal, nominees' income withdrawal or successors' income withdrawal under a registered 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 (as the case may be) dependants' drawdown pension, nominees' drawdown pension or successors' drawdown pension.”

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- (5) In subsection (2) (meaning of “pension death benefit”) after “see section 165)” insert “, or a pension payable in respect of the member on the subsequent death of a dependant, nominee or successor of the member”.
- 3 (1) In Part 2 of Schedule 28 (interpretation of the pension death benefit rules) at the end insert—

*“Meaning of “nominee”*

- 27A (1) “Nominee of the member” means an individual—
- (a) nominated by the member, or
  - (b) nominated by the scheme administrator,
- who is not a dependant of the member, but see sub-paragraph (2).
- (2) In relation to any particular benefits under an arrangement, no individual nominated by the scheme administrator counts as a nominee of the member at any time when there is—
- (a) a dependant of the member, or
  - (b) an individual, or charity, nominated by the member in relation to the benefits.
- (3) The reference in sub-paragraph (2)(b) to being nominated in relation to particular benefits under an arrangement includes—
- (a) a reference to being nominated in relation to the scheme,
  - (b) a reference to being nominated in relation to arrangements that include the arrangement,
  - (c) a reference to being nominated in relation to the arrangement, and
  - (d) a reference to being nominated in relation to benefits that include the particular benefits.

*Nominees' drawdown pension*

- 27B “Nominees' drawdown pension” means—
- (a) a nominees' short-term annuity, or
  - (b) nominees' income withdrawal.

*Nominees' short-term annuity*

- 27C (1) For the purposes of this Part an annuity payable to a nominee is a nominees' short-term annuity if—
- (a) it is purchased by the application of sums or assets representing the whole or any part of the nominee's flexi-access drawdown fund in respect of an arrangement,
  - (b) it is payable by an insurance company,
  - (c) the nominee becomes entitled to it on or after 6 April 2015, and
  - (d) it is payable for a term which does not exceed five years and ends before the nominee dies.
- (2) The Commissioners for Her Majesty's Revenue and Customs may by regulations make provision in relation to cases in which a nominees'

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short-term annuity payable to a person (“the original nominees' short-term annuity”) ceases to be payable and in consequence of that—

- (a) sums or assets (or both) are transferred from the insurance company to another insurance company and are applied—
    - (i) towards the provision of another nominees' short-term annuity (a “new nominees' short-term annuity”) by the other insurance company, or
    - (ii) otherwise, or
  - (b) sums or assets are transferred to the relevant registered pension scheme.
- (3) The regulations may provide that—
- (a) in a case where a new nominees' short-term annuity becomes payable, the new nominees' short-term annuity is to be treated, to such extent as is prescribed by the regulations and for such of the purposes of this Part as are so prescribed, as if it were the original nominees' short-term annuity, and
  - (b) in any other case, the relevant registered pension scheme is to be treated as making an unauthorised payment in respect of the member of an amount equal to the aggregate of the sums, and the market value of the assets, transferred.
- (4) For the purposes of sub-paragraphs (2) and (3) a registered pension scheme is the relevant registered pension scheme if the original nominees' short-term annuity was acquired using sums or assets held for the purposes of the pension scheme.

*Nominees' income withdrawal*

- 27D “Nominees' income withdrawal” means an amount (other than an annuity) which the nominee is entitled to be paid from the nominee's flexi-access drawdown fund in respect of an arrangement.

*Nominee's flexi-access drawdown fund*

- 27E (1) For the purposes of this Part a nominee's flexi-access drawdown fund in respect of an arrangement consists of such of the sums or assets held for the purposes of the arrangement as are newly-designated nominee funds.
- (2) For the purposes of this Part sums or assets held for the purposes of an arrangement are newly-designated nominee funds if—
- (a) they—
    - (i) have, at any time on or after 6 April 2015, been designated under the arrangement as available for the payment of nominees' drawdown pension, and
    - (ii) were, immediately before being so designated, unused drawdown funds or unused uncrystallised funds, or
  - (b) they arise, or (directly or indirectly) derive, from newly-designated nominee funds under paragraph (a) or from sums or assets which so arise or derive.



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- (3) Sums or assets held for the purposes of an arrangement after the member's death are unused drawdown funds if—
- (a) immediately before the member's death, they were held for the purposes of the arrangement and represented (whether alone or with other sums or assets) the member's flexi-access drawdown fund, or drawdown pension fund, in respect of the arrangement, or
  - (b) they arise, or (directly or indirectly) derive, from unused drawdown funds under paragraph (a) or from sums or assets which so arise or derive.
- (4) In the case of a cash balance arrangement, sums or assets held for the purposes of the arrangement after the member's death are unused uncrystallised funds if—
- (a) they represent the whole or any part of the sum that would have been available immediately before the member's death for the provision of benefits to or in respect of the member if entitlement had arisen immediately before the member's death to all benefits under the arrangement to which entitlement had not previously arisen, and
  - (b) since the member's death they have not been designated as available for the payment of dependants' drawdown pension, not been designated as available for the payment of nominees' drawdown pension, not been applied towards the provision of a dependants' annuity and not been applied towards the provision of a dependants' scheme pension.
- (5) In the case of any other money purchase arrangement, sums or assets held for the purposes of the arrangement after the member's death are unused uncrystallised funds if—
- (a) immediately before the member's death they were held for the purposes of the arrangement and at that time—
    - (i) were not member-designated funds,
    - (ii) were not newly-designated funds,
    - (iii) had not been applied towards the provision of a scheme pension, and
    - (iv) had not been applied towards the provision of a dependants' scheme pension, or
  - (b) they arise, or (directly or indirectly) derive, from unused uncrystallised funds under paragraph (a) or from sums or assets which so arise or derive,

and since the member's death they have not been designated as available for the payment of dependants' drawdown pension, not been designated as available for the payment of nominees' drawdown pension, not been applied toward the provision of a dependants' annuity and not been applied toward the provision of a dependants' scheme pension.

*Meaning of “successor”*

- 27F (1) “Successor of the member” means an individual—
- (a) nominated by a dependant of the member,

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- (b) nominated by a nominee of the member,
  - (c) nominated by a successor of the member, or
  - (d) nominated by the scheme administrator,
- but see sub-paragraph (2).
- (2) In relation to any particular benefits under an arrangement relating to a dependant, nominee or successor of the member (“the beneficiary”) in that capacity, no individual nominated by the scheme administrator counts as a successor of the member at any time after the beneficiary's death when there is an individual, or charity, nominated by the beneficiary in relation to the benefits.
- (3) A reference in sub-paragraph (2) to being nominated in relation to particular benefits under an arrangement includes—
- (a) a reference to being nominated in relation to the scheme,
  - (b) a reference to being nominated in relation to arrangements that include the arrangement,
  - (c) a reference to being nominated in relation to the arrangement, and
  - (d) a reference to being nominated in relation to benefits that include the particular benefits.
- (4) Where a successor of the member is an individual who is also a dependant of the member, the individual in the capacity of a successor of the member is to be treated as not also being a dependant of the member.

*Successors' drawdown pension*

- 27G “Successors' drawdown pension” means—
- (a) a successors' short-term annuity, or
  - (b) successors' income withdrawal.

*Successors' short-term annuity*

- 27H (1) For the purposes of this Part an annuity payable to a successor is a successors' short-term annuity if—
- (a) it is purchased by the application of sums or assets representing the whole or any part of the successor's flexi-access drawdown fund in respect of an arrangement,
  - (b) it is payable by an insurance company,
  - (c) the successor becomes entitled to it on or after 6 April 2015, and
  - (d) it is payable for a term which does not exceed five years and ends before the successor dies.
- (2) The Commissioners for Her Majesty's Revenue and Customs may by regulations make provision in relation to cases in which a successors' short-term annuity payable to a person (“the original successors' short-term annuity”) ceases to be payable and in consequence of that—
- (a) sums or assets (or both) are transferred from the insurance company to another insurance company and are applied—

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- (i) towards the provision of another successors' short-term annuity (a “new successors' short-term annuity”) by the other insurance company, or
    - (ii) otherwise, or
  - (b) sums or assets are transferred to the relevant registered pension scheme.
- (3) The regulations may provide that—
  - (a) in a case where a new successors' short-term annuity becomes payable, the new successors' short-term annuity is to be treated, to such extent as is prescribed by the regulations and for such of the purposes of this Part as are so prescribed, as if it were the original successors' short-term annuity, and
  - (b) in any other case, the relevant registered pension scheme is to be treated as making an unauthorised payment in respect of the member of an amount equal to the aggregate of the sums, and the market value of the assets, transferred.
- (4) For the purposes of sub-paragraphs (2) and (3) a registered pension scheme is the relevant registered pension scheme if the original successors' short-term annuity was acquired using sums or assets held for the purposes of the pension scheme.

*Successors' income withdrawal*

- 27J “Successors' income withdrawal” means an amount (other than an annuity) which the successor is entitled to be paid from the successor's flexi-access drawdown fund in respect of an arrangement.

*Successor's flexi-access drawdown fund*

- 27K (1) For the purposes of this Part a successor's flexi-access drawdown fund in respect of an arrangement consists of such of the sums or assets held for the purposes of the arrangement as are newly-designated successor funds.
- (2) For the purposes of this Part sums or assets held for the purposes of an arrangement are newly-designated successor funds if—
- (a) they—
    - (i) have, at any time on or after 6 April 2015, been designated under the arrangement as available for the payment of successors' drawdown pension, and
    - (ii) were, immediately before being so designated, unused drawdown funds of the same deceased dependant, nominee or successor of the member, or
  - (b) they arise, or (directly or indirectly) derive, from newly-designated successor funds under paragraph (a) or from sums or assets which so arise or derive.
- (3) Sums or assets held for the purposes of an arrangement after the death of a dependant, nominee or successor (“the beneficiary”) are unused drawdown funds of the beneficiary's if—

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- (a) immediately before the beneficiary's death, they were held for the purposes of the arrangement and represented (whether alone or with other sums or assets) the beneficiary's—
- (i) dependant's flexi-access drawdown fund,
  - (ii) dependant's drawdown pension fund,
  - (iii) nominee's flexi-access drawdown fund, or
  - (iv) successor's flexi-access drawdown fund,
- in respect of the arrangement, or
- (b) they arise, or (directly or indirectly) derive, from unused drawdown funds of the beneficiary's under paragraph (a) or from sums or assets which so arise or derive.”
- (2) The provisions inserted by sub-paragraph (1) have effect even in relation to cases where the member concerned, or any dependant concerned, dies before 6 April 2015.

*Nominees and successors: further drawdown amendments*

- 4 In section 169(1D) (regulations about transfers of drawdown funds) after paragraph (aa) (which is inserted by this Act) insert “or
- (ab) a nominee's flexi-access drawdown fund, or
  - (ac) a successor's flexi-access drawdown fund.”.
- 5 In section 172(1)(a) (assignment of rights or benefits) after “dependant” insert “, nominee or successor”.
- 6 In section 172A(1)(a) (surrender of rights or benefits) after “dependant” insert “, nominee or successor”.
- 7 In section 172A(5) (exceptions to provisions on surrender: entitlement to benefits)
- (a) in paragraph (b) after “dependant” insert “, or nominee,”,
  - (b) after paragraph (b) insert—
    - “(ba) a surrender (or agreement to surrender) by a dependant, nominee or successor of the member (“the beneficiary”) in return for the conferring, on a successor of the member, of an entitlement to benefits after the beneficiary's death,”
    - and
  - (c) in paragraph (c) for “or dependant” substitute “, dependant, nominee or successor”.
- 8 In section 172A(5A) (further provision on surrender exceptions)—
- (a) after “dependant”, in the first place it occurs, insert “, or nominee,”, and
  - (b) after “dependant”, in the second place it occurs, insert “ or nominee”.
- 9 In section 172A after subsection (5A) insert—
- “(5B) Subsection (5)(ba) applies only if the entitlement is held (or is to be held) by the successor under an arrangement under the pension scheme relating to the beneficiary or successor.”
- 10 In section 172A(7) (exceptions to provisions on surrender: prospective entitlements)—
- (a) in the opening words after “dependant” insert “ or nominee or successor”, and

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- (b) in paragraph (a) after “dependant” insert “, or nominee or successor,”.
- 11 In section 172B(2) (rights of a “relevant member”)—
- (a) in paragraph (a) after “dependant” insert “ or nominee or successor ”, and
- (b) after paragraph (aa) insert—
- “(ab) rights representing the nominee's flexi-access drawdown fund or successor's flexi-access drawdown fund in respect of an arrangement under the pension scheme,”.
- 12 In section 172B(7A) (section does not apply to certain increases in rights) before “dependant's drawdown pension fund” (in both places) insert “ nominee's flexi-access drawdown fund, successor's flexi-access drawdown fund,”.
- 13 In section 182(3) (value of arrangement for purposes of borrowing limits) after paragraph (b) insert—
- “(ba) the amount of such of the sums and the market value of such of the assets as represent nominees' flexi-access drawdown funds in respect of the arrangement (if any),
- (bb) the amount of such of the sums and the market value of such of the assets as represent successors' flexi-access drawdown funds in respect of the arrangement (if any),”.
- 14 In section 280(2) (index of defined expressions) at the appropriate places insert—
- 
- “dependant (of a member of a registered pension scheme) paragraph 15 of Schedule 28”
- 
- “nominee (of a member of a registered pension scheme) paragraph 27A of Schedule 28”
- 
- “nominees' drawdown pension paragraph 27B of Schedule 28”
- 
- “nominee's flexi-access drawdown fund paragraph 27E of Schedule 28”
- 
- “nominees' income withdrawal paragraph 27D of Schedule 28”
- 
- “nominees' short-term annuity paragraph 27C of Schedule 28”
- 
- “successor (of a member of a registered pension scheme) paragraph 27F of Schedule 28”
- 
- “successors' drawdown pension paragraph 27G of Schedule 28”
- 
- “successor's flexi-access drawdown fund paragraph 27K of Schedule 28”
- 
- “successors' income withdrawal paragraph 27J of Schedule 28”
- 
- “successors' short-term annuity paragraph 27H of Schedule 28”

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*Nomination of charities by nominees and successors of deceased scheme members*

- 15 (1) Paragraph 18 of Schedule 29 (charity lump sum death benefit) is amended as follows.
- (2) After sub-paragraph (2) insert—
- “(2A) A lump sum death benefit is also a charity lump sum death benefit if—
- (a) it is paid on the death of an individual who is—
    - (i) a nominee of the member, or
    - (ii) a successor of the member,
  - (b) there are no dependants of the member,
  - (c) it is paid in respect of the individual's nominee's flexi-access drawdown fund or successor's flexi-access drawdown fund at the date of the individual's death in respect of an arrangement relating to the individual in the capacity of a nominee or successor of the member, and
  - (d) it is paid to a charity nominated by the member or, if the member made no nomination, by the individual.”
- (3) In sub-paragraph (3) (cases where lump sum exceeds the permitted maximum) for “or (2)” substitute “, (2) or (2A) ”.
- (4) In sub-paragraph (4) (meaning of “permitted maximum”) after “arrangement” insert “, or the nominee's or successor's flexi-access drawdown fund in respect of the arrangement, ”.

*Related amendments in regulations*

- 16 (1) Regulation 12 of the Registered Pension Schemes (Transfer of Sums and Assets) Regulations 2006 (S.I. 2006/499) (drawdown funds—recognised transfers) is amended as follows.
- (2) In the heading before “—recognised” insert “ and nominee's flexi-access drawdown fund and successor's flexi-access drawdown fund ”.
- (3) In paragraph (1) (transfer recognised only if transferred items are only items held under arrangement to which transfer made) before “member's drawdown pension fund” insert “ nominee's flexi-access drawdown fund, successor's flexi-access drawdown fund, ”.
- (4) The amendments made by this paragraph—
- (a) come into force on 6 April 2015, and
  - (b) are to be treated as having been made by the Commissioners for Her Majesty's Revenue and Customs under the powers to make regulations conferred by section 169(1D) and (1E) of FA 2004 (as amended by this Schedule).

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## PART 2

### LUMP SUM DEATH BENEFITS

#### *Special lump sum death benefits charge*

- 17 (1) Section 206 of FA 2004 (special lump sum death benefits charge) is amended as follows.
- (2) After subsection (1) insert—
- “(1ZA) In subsection (1) the reference to a member (and to the member's death) are to be read—
- (a) in relation to—
    - (i) a drawdown pension fund lump sum death benefit under paragraph 17(2) of Schedule 29, or
    - (ii) a flexi-access drawdown fund lump sum death benefit under paragraph 17A(2) of Schedule 29,as a reference to a dependant (and to the dependant's death),
  - (b) in relation to a flexi-access drawdown fund lump sum death benefit under paragraph 17A(3) of Schedule 29, as a reference to a nominee (and to the nominee's death), and
  - (c) in relation to a flexi-access drawdown fund lump sum death benefit under paragraph 17A(4) of Schedule 29, as a reference to a successor (and to the successor's death).”

(3) After subsection (1A) insert—

“(1B) The special lump sum death benefits charge also arises where—

    - (a) a lump sum death benefit is paid by a registered pension scheme in respect of a member of the scheme who had not reached the age of 75 at the date of the member's death,
    - (b) the lump sum death benefit is—
      - (i) a drawdown pension fund lump sum death benefit under paragraph 17(1) of Schedule 29,
      - (ii) a flexi-access drawdown fund lump sum death benefit under paragraph 17A(1) of Schedule 29, or
      - (iii) an uncrystallised funds lump sum death benefit, and
    - (c) the lump sum death benefit is not paid before the end of the period of two years beginning with the earlier of the day on which the scheme administrator of the scheme first knew of the member's death and the day on which the scheme administrator could first reasonably have been expected to have known of it.

(1C) The special lump sum death benefits charge also arises where—

    - (a) a lump sum death benefit is paid by a registered pension scheme on the death of a dependant, nominee or successor of a deceased member of the scheme,
    - (b) the dependant, nominee or successor (“the beneficiary”) had not reached the age of 75 at the date of the beneficiary's death,
    - (c) the lump sum death benefit is—

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- (i) a drawdown pension fund lump sum death benefit under paragraph 17(2) of Schedule 29, or
  - (ii) a flexi-access drawdown fund lump sum death benefit under paragraph 17A(2), (3) or (4) of Schedule 29, and
  - (d) the lump sum death benefit is not paid before the end of the period of two years beginning with the earlier of the day on which the scheme administrator of the scheme first knew of the beneficiary's death and the day on which the scheme administrator could first reasonably have been expected to have known of it.”
- (4) For subsection (7) (lump sum death benefits which are not to be treated as income for tax purposes) substitute—
- “(7) A lump sum death benefit in respect of which income tax is charged under this section is not to be treated as income for any purpose of the Tax Acts.”
- (5) In consequence of sub-paragraph (4) omit paragraph 41(5) of Schedule 16 to FA 2011.
- 18 In section 280(2) of FA 2004 (index of defined expressions) in the entry for “special lump sum death benefits charge” for “206(1)” substitute “ 206 ”.

*Uncrystallised funds lump sum death benefit*

- 19 (1) In paragraph 15 of Schedule 29 to FA 2004 (uncrystallised funds lump sum death benefit)—
- (a) in sub-paragraph (1) omit the second sentence (lump sum is uncrystallised funds lump sum death benefit only if paid before end of relevant two-year period), and
  - (b) omit sub-paragraph (1A) (meaning of “relevant two-year period” in the second sentence of sub-paragraph (1)).
- (2) In paragraph 16 of Schedule 32 to FA 2004 (benefit crystallisation event 7: uncrystallised funds lump sum death benefit is a “relevant lump sum death benefit”)—
- (a) in sub-paragraph (b) after “benefit” insert “, other than one—
    - (i) paid by a registered pension scheme in respect of a member of the scheme who had not reached the age of 75 at the date of the member's death, but
    - (ii) not paid before the end of the relevant two-year period”, and
  - (b) after sub-paragraph (b) insert—

“In sub-paragraph (b)(ii) “the relevant two-year period”, in relation to a member of a registered pension scheme, means the period of two years beginning with the earlier of the day on which the scheme administrator of the scheme first knew of the member's death and the day on which the scheme administrator could first reasonably have been expected to have known of it.”
- (3) In section 636A of ITEPA 2003 (exemption for certain lump sums under registered pension schemes)—
- (a) in subsection (1) (lump sums on which there is no liability to income tax)—



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- <sup>F3</sup>(i) . . . . .
- (ii) omit paragraph (e) and the “or” preceding it (uncrystallised funds lump sum death benefit paid in respect of member who dies under 75), and
- (b) in subsection (4)(aa) (on uncrystallised funds lump sum death benefit paid in respect of member who dies having reached 75 there is no liability to income tax other than liability under section 206 of FA 2004) omit “paid in respect of a member who had reached the age of 75 at the date of the member's death”.
- (4) In consequence of sub-paragraphs (1) and (3) omit—
- (a) paragraphs 35(2)(c) and (3) and 42(2)(c) of Schedule 16 to FA 2011, and
- (b) paragraph 28(2)(a) of Schedule 19 to FA 2007.

**Textual Amendments**

- F3** Sch. 2 para. 19(3)(a)(i) omitted (with effect in accordance with s. 22(12) of the amending Act) by virtue of [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [s. 22\(11\)\(b\)\(ii\)](#)

*Commencement*

- 20 The amendments made by paragraphs 17 and 19 apply to lump sums paid on or after 6 April 2015, and the amendment made by paragraph 18 comes into force on that day.

**PART 3**

UNCRYSTALLISED RIGHTS AT MEMBER'S DEATH

- 21 In section 216(1) of FA 2004 (benefit crystallisation events and amounts crystallised), in the table, after the entry relating to benefit crystallisation event 5B insert—

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“5C. The designation, on or after 6 April 2015 but before the end of the relevant two-year period, of relevant unused uncrystallised funds as available for the payment, to a dependant or nominee of the individual, of (as the case may be) dependants' flexi-access drawdown pension or nominees' flexi-access drawdown pension

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The aggregate of the amount of the sums and the market value of the assets designated”

- 22 (1) Section 217 of FA 2004 (persons liable to lifetime allowance charge) is amended as follows.
- (2) After subsection (1) insert—
- “(1A) Subsection (1) is subject to subsections (2) and (2A).”
- (3) In subsection (2) for “But where” substitute “Where”.
- (4) After subsection (2) insert—

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“(2A) Where the liability arises by reason of a designation mentioned in the description of benefit crystallisation event 5C, it is a liability of the dependant or nominee (as the case may be).”

(5) For subsections (3) and (4) (multiple relevant lump sum death benefits) substitute—

“(3) Subsection (4) applies if—

- (a) two or more relevant post-death benefit crystallisation events occur in respect of an individual, and
- (b) tax is not chargeable on the whole of the total of the amounts crystallised by them.

(4) The person liable under subsection (2) or (2A) to the lifetime allowance charge charged by reason of the occurrence of any one of the relevant post-death benefit crystallisation events is liable to such portion of the total amount of the tax payable by reason of the relevant post-death benefit crystallisation events having occurred as appears to an officer of Revenue and Customs to be just and reasonable.

(4A) For the purposes of subsections (3) and (4), a benefit crystallisation event is a “relevant post-death benefit crystallisation event” if it is benefit crystallisation event 5C or 7.”

(6) The amendment made by sub-paragraph (5) comes into force on 6 April 2015.

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**Commencement Information**

**I14** Sch. 2 para. 22 in force at Royal Assent, but see sub-para. (6)

23 (1) Section 219 of FA 2004 (availability of individual's lifetime allowance) is amended as follows.

(2) In subsection (7) (cases where there is more than one benefit crystallisation event 7)—

- (a) after “more than one” insert “ relevant post-death ”,
- (b) omit “by reason of the payment of lump sum death benefits”, and
- (c) for “individual the” substitute “ individual, the relevant post-death ”.

(3) After subsection (7) insert—

“(7A) For the purposes of subsection (7), a benefit crystallisation event is a “relevant post-death benefit crystallisation event” if it is benefit crystallisation event 5C or 7.”

(4) The amendments made by this paragraph come into force on 6 April 2015.

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**Commencement Information**

**I15** Sch. 2 para. 23 in force at Royal Assent, but see sub-para. (4)

24 (1) Schedule 32 to FA 2004 (supplementary provisions about benefit crystallisation events) is amended as follows.

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- (2) In paragraph 1 (meaning of “the relevant pension schemes”: in certain cases means schemes of which the individual was a member immediately before death) before “7” insert “ 5C or ”.
- (3) After paragraph 14A insert—

*“Benefit crystallisation event 5C: meaning of “relevant two-year period”*

- 14B For the purposes of benefit crystallisation event 5C “the relevant two-year period”, in relation to relevant unused uncrystallised funds held for the purposes of a money purchase arrangement relating to the individual under any of the relevant pension schemes, means the period of two years beginning with the earlier of the day on which the scheme administrator of the scheme first knew of the individual's death and the day on which the scheme administrator could first reasonably have been expected to have known of it.

*Benefit crystallisation event 5C: meaning of “relevant unused uncrystallised funds”*

- 14C (1) For the purposes of benefit crystallisation event 5C, sums or assets held after the death of the individual for the purposes of a money purchase arrangement relating to the individual under any of the relevant pension schemes are relevant unused uncrystallised funds if—
- (a) they are unused uncrystallised funds, and
  - (b) the individual had not reached the age of 75 at the date of the individual's death.
- (2) Paragraph 27E(4) and (5) of Schedule 28 (meaning of “unused uncrystallised funds”) apply for the purposes of sub-paragraph (1)(a), but as if references to the member were references to the individual.”

## PART 4

### INCOME TAX ON BENEFICIARIES' INCOME WITHDRAWAL

- 25 (1) ITEPA 2003 is amended as follows.
- (2) In section 573 (foreign pensions to which section 573 applies) after subsection (2) insert—
- “(2A) This section does not apply to pension within section 574(1)(ba) if—
- (a) the pension is paid in respect of a deceased member of a pension scheme who had not reached the age of 75 at the date of death, and
  - (b) no pension payments to the person entitled to the pension were made before 6 April 2015 in respect of the deceased member out of any of the following—
    - (i) the fund from which the pension is paid, and
    - (ii) any fund represented (to any extent) by that fund.

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- (2B) This section does not apply to pension within section 574(1)(bb) if the pension is paid in respect of a deceased individual who had not reached the age of 75 at the date of death.
- (2C) Subsection (2A) is subject to subsection (2D).
- (2D) This section does apply to pension within section 574(1)(ba) paid in respect of a deceased member of a pension scheme who had not reached the age of 75 at the date of death if the pension is paid in respect of sums or assets held for the purposes of the pension scheme under which the pension is paid (“the paying scheme”) that would, if the paying scheme were a registered pension scheme, be sums or assets—
- (a) representing unused uncrystallised funds (within the meaning of paragraph 27E(4) and (5) of Schedule 28 to FA 2004) in the deceased member's case, and
  - (b) designated on or after 6 April 2015 as available for the payment of dependants' drawdown pension or nominees' drawdown pension, but
  - (c) not so designated before the end of the period of two years beginning with the earlier of the day on which the scheme manager of the paying scheme first knew of the member's death and the day on which the scheme manager could first reasonably have been expected to have known of it.”
- (3) In section 574(1) (foreign pensions: meaning of “pension”)—
- (a) in paragraph (b) (“pension” includes amounts corresponding to income withdrawal or dependants' income withdrawal)—
    - (i) omit “or dependants' income withdrawal”, and
    - (ii) for “paragraphs 7 and 21” substitute “ paragraph 7 ”, and
  - (b) before the “and” at the end of paragraph (b) insert—
    - “(ba) an amount paid under a relevant non-UK scheme or an overseas pension scheme which, if the scheme were a registered pension scheme, would be dependants' income withdrawal or nominees' income withdrawal (within the meaning of paragraphs 21 and 27D of Schedule 28 to FA 2004),
    - (bb) an amount paid under a relevant non-UK scheme or an overseas pension scheme which, if the scheme were a registered pension scheme, would be successors' income withdrawal (within the meaning of paragraph 27J of Schedule 28 to FA 2004),”.
- (4) In section 579A(1) (section applies to pensions under registered pension schemes, subject to subsection (2)) after “subsection (2)” insert “ and section 579CZA ”.
- (5) After section 579C insert—

**“579CZA Exemption for beneficiaries' income withdrawal in some cases**

- (1) Section 579A does not apply to dependants' income withdrawal or nominees' income withdrawal if it is paid—

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- (a) in respect of a deceased member of a registered pension scheme who had not reached the age of 75 at the date of the member's death, and
  - (b) to a person from the person's—
    - (i) dependant's drawdown pension fund,
    - (ii) dependant's flexi-access drawdown fund, or
    - (iii) nominee's flexi-access drawdown fund,in respect of a money purchase arrangement under a registered pension scheme.
- (2) Section 579A does not apply to successors' income withdrawal if it is paid—
  - (a) in respect of a deceased beneficiary of a deceased member of a registered pension scheme where the beneficiary had not reached the age of 75 at the date of the beneficiary's death, and
  - (b) to a person from the person's successor's flexi-access drawdown fund in respect of a money purchase arrangement under a registered pension scheme,and here “beneficiary” means dependant, nominee or successor.
- (3) Subsection (1) is subject to the following provisions of this section.
- (4) Section 579A does apply to dependants' income withdrawal paid on or after 6 April 2015 to a person from the person's dependant's drawdown pension fund in respect of a money purchase arrangement under a registered pension scheme (“the drawdown fund”) if before 6 April 2015—
  - (a) any payment of dependants' income withdrawal was made from—
    - (i) the drawdown fund, or
    - (ii) any fund represented (to any extent) by the drawdown fund, or
  - (b) any payment was made of a dependants' short-term annuity purchased using sums or assets out of—
    - (i) the drawdown fund, or
    - (ii) any fund represented (to any extent) by the drawdown fund.
- (5) Section 579A does apply to dependants' income withdrawal paid in respect of a deceased member of a registered pension scheme to a person from the person's dependant's flexi-access drawdown fund in respect of a money purchase arrangement under a registered pension scheme (“the new fund”) if—
  - (a) any of the sums or assets that make up the new fund—
    - (i) became newly-designated dependant funds under paragraph 22A(2)(b) of Schedule 28 to FA 2004 or as a result of the operation of any of paragraphs 22B to 22D of that Schedule, or
    - (ii) arise, or (directly or indirectly) derive, from any such newly-designated dependant funds or from sums or assets which so arise or derive,
  - (b) before 6 April 2015 any payment of dependants' income withdrawal in respect of the deceased member was made to the person from the person's dependant's drawdown pension fund in respect of a money purchase arrangement under a registered pension scheme, and

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- (c) any of the sums or assets that made up that fund at the time of that payment to any extent make up, or are represented by sums or assets that to any extent make up, the new fund.
- (6) Where relevant unused uncrystallised funds—
- (a) are designated on or after 6 April 2015 as available for the payment of dependants' drawdown pension or nominees' drawdown pension, and
- (b) as a result of the designation make up (to any extent) a person's dependant's flexi-access drawdown fund or nominee's flexi-access drawdown fund in respect of a money purchase arrangement under a registered pension scheme, but
- (c) are not so designated before the end of the relevant two-year period, section 579A does apply to dependants' income withdrawal or nominees' income withdrawal paid to the person from the fund so far as it is paid in respect of sums or assets for the time being representing the whole or any part of those relevant unused uncrystallised funds.
- (7) In this section—
- “dependant”, “nominee” and “successor” have the meaning given (respectively) by paragraphs 15, 27A and 27F of Schedule 28 to FA 2004,
- “dependant's drawdown pension fund”, “dependant's flexi-access drawdown fund”, “nominee's flexi-access drawdown fund” and “successor's flexi-access drawdown fund” have the meaning given (respectively) by paragraphs 22, 22A, 27E and 27K of Schedule 28 to FA 2004,
- “money purchase arrangement” has the meaning given by section 152 of FA 2004, and
- “the relevant two-year period”, in relation to relevant unused uncrystallised funds held for the purposes of a money purchase arrangement relating to a deceased individual under a registered pension scheme, means the period of two years beginning with the earlier of the day on which the scheme administrator of the scheme first knew of the individual's death and the day on which the scheme administrator could first reasonably have been expected to have known of it.
- (8) For the purposes of this section, sums or assets held after the death of a member of a registered pension scheme for the purposes of a money purchase arrangement relating to the member under the scheme are “relevant unused uncrystallised funds” if—
- (a) they are unused uncrystallised funds, and
- (b) the member had not reached the age of 75 at the date of the member's death.
- (9) Paragraph 27E(4) and (5) of Schedule 28 to FA 2004 (meaning of “unused uncrystallised funds”) apply for the purposes of subsection (8)(a).”
- (6) In section 579D (interpretation of sections 579A to 579D)—
- (a) at the appropriate places insert—

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““nominees' income withdrawal” has the meaning given by paragraph 27D of that Schedule;”, and

““successors' income withdrawal” has the meaning given by paragraph 27J of Schedule 28 to FA 2004.”, and

(b) in paragraph (b) of the definition of “pension under a registered pension scheme” after “dependants' income withdrawal” insert “, or nominees' income withdrawal or successors' income withdrawal,”.

(7) The amendments made by sub-paragraphs (2) to (5) have effect in relation to pension paid on or after 6 April 2015.

**Changes to legislation:**

There are currently no known outstanding effects for the Taxation of Pensions Act 2014.