
Changes to legislation: There are currently no known outstanding effects for the Taxation of Pensions Act 2014, SCHEDULE 2. (See end of Document for details)

SCHEDULES

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.”
- (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

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- (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' 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.

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- (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.
- (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.

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- (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,
 - (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

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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—
 - (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

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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—
- (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.”

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- (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
(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,”.

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- 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”

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,

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- (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).

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

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- (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—
 - (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.”

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- (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)—
 - ^{F1}(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.

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Textual Amendments

- F1** 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—

<p>“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</p>	<p>The aggregate of the amount of the sums and the market value of the assets designated”</p>
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- 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—
- “(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.

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(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.

Commencement Information

II 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.

Commencement Information

I2 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.

(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

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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.
- (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

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- (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—
 - (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

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- (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
 - (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,

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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—

““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, SCHEDULE 2.