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SCHEDULES

SCHEDULE 9

PENSIONS

PART 4

TRANSITIONAL PROTECTIONS

Amendments of Part 2 of Schedule 36 to FA 2004

71 (1) Paragraph 12 (enhanced protection) is amended as follows.

(2) For sub-paragraph (3) substitute—

“(3A) Where this paragraph applies in the case of an individual, [Chapter 15A](#) of Part 9 of ITEPA 2003 (pension income: lump sums under registered pension schemes) and Part 4 of FA 2004 (pensions etc) have effect in relation to the individual with the modifications in [sub-paragraphs \(3B\)](#) to [\(3F\)](#).”

(3B) For the purposes of determining the income tax treatment of a lump sum or a lump sum death benefit—

(a) [section 637C](#) of that Act (serious ill-health lump sums) has effect as if, in [subsection \(3\)](#) of that section (which defines the permitted maximum), for the words from “so much of” to the end there were substituted “the maximum amount of a serious ill-health lump sum that could have been paid to the individual on 5 April 2024 under the arrangement pursuant to which the individual becomes entitled to the serious ill-health lump sum”;

(b) [section 637D](#) of that Act (uncrystallised funds pension lump sums) has effect as if—

(i) in [subsection \(3\)](#) of that section (which defines the permitted maximum), for [paragraph \(b\)](#) there were substituted—

“(b) the maximum amount of an uncrystallised funds pension lump sum that could have been paid to the individual with no liability to income tax on 5 April 2024 under the arrangement pursuant to which the entitlement to the uncrystallised funds pension lump sum arises in respect of the individual.”;

(ii) after that subsection there were inserted—

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- “(4) But in a case where the individual has previously become entitled to a serious ill-health lump sum—
- (a) [subsection \(3\)](#) does not apply, and
 - (b) in [subsection \(2\)](#) “the permitted maximum”, in relation to an uncrystallised funds pension lump sum paid to the member, is nil.”;
- (c) [section 637H](#) of that Act (defined benefits lump sum death benefits) has effect as if, in [subsection \(7\)](#) of that section, in the definition of “the permitted maximum”, for the words from “so much of” to the end there were substituted “—
- (a) the maximum amount of a defined benefits lump sum death benefit that could have been paid in respect of the individual on 5 April 2024 under the arrangement pursuant to which the entitlement to the defined benefits lump sum death benefit arises in respect of the individual, less
 - (b) the aggregate of the non-taxable amounts within the meaning given by [section 637S\(6\)](#) of each authorised lump sum death benefit (if any) previously paid in respect of the individual under that arrangement after that date;
- or, if that produces a negative result, nil.”;
- (d) [section 637I](#) of that Act (pension protection lump sum death benefits) has effect as if, in [subsection \(5\)](#) of that section, in the definition of “the permitted maximum”, for the words from “so much of” to the end there were substituted “—
- (a) the maximum amount of a pension protection lump sum death benefit that could have been paid in respect of the individual on 5 April 2024 under the arrangement pursuant to which the entitlement to the pension protection lump sum death benefit arises in respect of the individual, less
 - (b) the aggregate of the non-taxable amounts within the meaning given by [section 637S\(6\)](#) of each authorised lump sum death benefit (if any) previously paid in respect of the individual under that arrangement after that date;
- or, if that produces a negative result, nil.”;
- (e) [section 637J](#) of that Act (uncrystallised funds lump sum death benefits) has effect as if, in [subsection \(7\)](#), in the definition of “the permitted maximum”, for the words from “so much of” to the end there were substituted “—
- (a) the maximum amount of an uncrystallised funds lump sum death benefit that could have been

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paid in respect of the individual on 5 April 2024 under the arrangement pursuant to which the entitlement to the uncrystallised funds lump sum death benefit arises in respect of the individual, less

- (b) the aggregate of the non-taxable amounts within the meaning given by [section 637S\(6\)](#) of each authorised lump sum death benefit (if any) previously paid in respect of the individual under that arrangement after that date;

or, if that produces a negative result, nil.”;

- (f) [section 637K](#) of that Act (annuity protection lump sum death benefits) has effect as if, in [subsection \(5\)](#), in the definition of “the permitted maximum”, for the words from “so much of” to the end there were substituted “—

- (a) the maximum amount of an annuity protection lump sum death benefit that could have been paid in respect of the individual on 5 April 2024 under the arrangement pursuant to which the entitlement to the annuity protection lump sum death benefit arises in respect of the individual, less
- (b) the aggregate of the non-taxable amounts within the meaning given by [section 637S\(6\)](#) of each authorised lump sum death benefit (if any) previously paid in respect of the individual under that arrangement after that date;

or, if that produces a negative result, nil.”;

- (g) [section 637L](#) of that Act (drawdown pension fund lump sum death benefits) has effect as if, in [subsection \(8\)](#), in the definition of “the permitted maximum”, for the words from “so much of” to the end there were substituted “—

- (a) the maximum amount of a drawdown pension fund lump sum death benefit that could have been paid in respect of the individual on 5 April 2024 under the arrangement pursuant to which the entitlement to the drawdown pension fund lump sum death benefit arises in respect of the individual, less
- (b) the aggregate of the non-taxable amounts within the meaning given by [section 637S\(6\)](#) of each authorised lump sum death benefit (if any) previously paid in respect of the individual under that arrangement after that date;

or, if that produces a negative result, nil.”;

- (h) [section 637M](#) of that Act (flexi-access drawdown lump sum death benefits) has effect as if, in [subsection \(8\)](#), in the definition of

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“the permitted maximum”, for the words from “so much of” to the end there were substituted “—

- (a) the maximum amount of a flexi-access drawdown lump sum death benefit that could have been paid in respect of the individual on 5 April 2024 under the arrangement pursuant to which the entitlement to the flexi-access drawdown lump sum death benefit arises in respect of the individual, less
- (b) the aggregate of the non-taxable amounts within the meaning given by [section 637S\(6\)](#) of each authorised lump sum death benefit (if any) previously paid in respect of the individual under that arrangement after that date;

or, if that produces a negative result, nil.”;

- (i) Schedule 29 to FA 2004 (pension commencement lump sum: definition of “permitted maximum”) has effect as if—
 - (i) in [paragraph 2](#), sub-paragraph (c) were omitted;
 - (ii) after [paragraph 2](#) there were inserted—

“2ZA In the case of an individual who has previously become entitled to a serious ill-health lump sum—

- (a) [paragraph 2](#) does not apply, and
- (b) in [paragraph 1](#) “the permitted maximum”, in relation to a lump sum, is nil.”

- (3C) For the purposes of the modifications made by [sub-paragraph \(3B\)](#), the maximum amount of a serious ill-health lump sum or a lump sum death benefit that could have been paid in respect of an individual on 5 April 2024 under an arrangement that is a defined benefits arrangement is an amount equal to the appropriate limit, determined under [paragraph 15\(4\)](#), in relation to payment of the serious ill-health lump sum or the lump sum death benefit.
- (3D) For the purposes of the modifications made by [sub-paragraph \(3B\)](#) “authorised lump sum death benefit” means a lump sum death benefit authorised to be paid by the lump sum death benefit rule.
- (3E) [Section 637P](#) of ITEPA 2003 (individual’s lump sum allowance) applies as if the amount specified in that section were £375,000.
- (3F) [Section 637R](#) of ITEPA 2003 (individual’s lump sum and death benefit allowance) applies as if the amount specified in that section were an amount equal to the value of the individual’s uncrystallised pension rights on 5 April 2024.
- (3G) The Commissioners for His Majesty’s Revenue and Customs may by regulations make provision about how the value of the individual’s uncrystallised pension rights on 5 April 2024 is to be determined for the purposes of [sub-paragraph \(3F\)](#).

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(3H) Where this paragraph applies in the case of an individual, for the purposes of this Part a lump sum is not an uncrystallised funds pension lump sum (see paragraph 4A of Schedule 29) if the lump sum condition (see paragraphs 24(2) and (3), 25 and 26 of this Schedule) is met in relation to the individual.”

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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- Sch. 9 para. 132(1) Sch. 9 para. 132 renumbered as Sch. 9 para. 132(1) by [S.I. 2024/356 reg. 4\(23\)\(a\)](#)
- Sch. 9 para. 125(1)(c) and word inserted by [S.I. 2024/356 reg. 4\(3\)\(b\)](#)
- Sch. 9 para. 125(3A) inserted by [S.I. 2024/356 reg. 4\(6\)](#)
- Sch. 9 para. 126(1)(c) inserted by [S.I. 2024/356 reg. 4\(9\)\(c\)](#)
- Sch. 9 para. 126(3A) inserted by [S.I. 2024/356 reg. 4\(10\)](#)
- Sch. 9 para. 127A and cross-heading inserted by [S.I. 2024/356 reg. 4\(12\)](#)
- Sch. 9 para. 128(6)(a)(zi) inserted by [S.I. 2024/356 reg. 4\(13\)](#)
- Sch. 9 para. 129(1)(c)(d) inserted by [S.I. 2024/356 reg. 4\(15\)\(b\)](#)
- Sch. 9 para. 129(2)(c) and word inserted by [S.I. 2024/356 reg. 4\(16\)\(b\)](#)
- Sch. 9 para. 130A and cross-heading inserted by [S.I. 2024/356 reg. 4\(21\)](#)
- Sch. 9 para. 132(2)-(5) inserted by [S.I. 2024/356 reg. 4\(23\)\(c\)](#)
- Sch. 9 para. 132A and cross-heading inserted by [S.I. 2024/356 reg. 4\(24\)](#)
- Sch. 9 para. 132(1) words inserted by [S.I. 2024/356 reg. 4\(23\)\(b\)](#)