

## **1 Registered pension schemes**

- (1) Schedule 1 contains amendments relating to registered pension schemes.
- (2) In that Schedule—
  - (a) Part 1 contains repeals of the provisions of Part 4 of FA 2004 (pension schemes etc) that impose the lifetime allowance charge, and amendments in consequence of, or otherwise in connection, with those repeals;
  - (b) Part 2 contains amendments of Part 4 of FA 2004, Part 9 of ITEPA 2003, and subordinate legislation, relating to the taxation of lump sums;
  - (c) Part 3 contains amendments of provisions that confer transitional protections in relation to the introduction of the lifetime allowance charge or reductions in the amount of the lifetime allowance;
  - (d) Part 4 contains provision about commencement and transitional matters.
- (3) The following provisions of FA 2023 (which are superseded by the amendments contained in Parts 1 and 2 of Schedule 1) are repealed—
  - section 18 (abolition of lifetime allowance charge);
  - section 19 (certain lump sums to be taxed at marginal rate).
- (4) The amendments contained in Schedule 1 include repeals of provisions that are spent or are no longer of practical utility.

SCHEDULE 1

Section 1

REGISTERED PENSION SCHEMES

**PART 1**

ABOLITION OF LIFETIME ALLOWANCE CHARGE

- 1 Part 4 of FA 2004 (pension schemes etc) is amended as follows.
- 2 In section 164 (authorised member payments), in subsection (2) omit paragraph (c).
- 3 In section 204 (tax charges: authorised pensions and lump sums), after subsection (2) insert—
  - “(3) For further provision, in addition to that contained in this Chapter, about the taxation of pensions and lump sums which are authorised to be paid by this Part, see—
    - (a) Chapter 5A of Part 9 of ITEPA 2003 (pensions under registered pension schemes);
    - (b) Chapter 15A of that Part of that Act (lump sums under registered pension schemes).”
- 4 Omit sections 214 to 226 (lifetime allowance charge) and the italic heading before those sections-
- 5 (1) Section 232 (annual allowance charge: cash balance arrangements: adjustments of closing value) is amended as follows.
  - (2) For subsections (8A) and (8B) substitute—
    - “(8A) If, during the pension input period—
      - (a) the individual becomes entitled to any benefits under the arrangement, or any other person becomes entitled to any benefits under the arrangement in respect of the individual, or there is an allocation of rights under the arrangement, and
      - (b) by reason of the individual or person becoming so entitled, or of the allocation, the rights available under the arrangement for the provision of benefits to or in respect of the individual are reduced,
 the value of the reduction is to be added.
    - (8B) The Commissioners for His Majesty’s Customs and Excise may by regulations make provision—
      - (a) specifying descriptions of benefits that are to be disregarded for the purposes of subsection (8A), or
      - (b) about how a reduction in or allocation of rights is to be valued for the purposes of that subsection.”
  - (3) In sub-paragraph (8D)–

- (a) in paragraph (a) omit the words from “or benefit crystallisation event 5” to “pension scheme”;
  - (b) in paragraph (b) omit “or the benefit crystallisation event occurs”.
- 6 (1) Section 236 (annual allowance charge: defined benefit arrangements: adjustments of closing value) is amended as follows.
- (2) For subsections (8A) and (8B) substitute –
  - “(8A) If, during the pension input period –
    - (a) the individual becomes entitled to any benefits under the arrangement, and
    - (b) by reason of the individual becoming so entitled the rights available under the arrangement for the provision of benefits to or in respect of the individual are reduced,  
the value of the reduction is to be added to PE or LSE.
  - (8B) The Commissioners for His Majesty’s Customs and Excise may by regulations make provision –
    - (a) specifying descriptions of benefits that are to be disregarded for the purposes of subsection (8A), or
    - (b) about how a reduction in rights is to be valued for the purposes of that subsection.”
- (3) In sub-paragraph (8D) –
  - (a) in paragraph (a) omit the words from “or benefit crystallisation event 5” to “pension scheme”;
  - (b) in paragraph (b) omit “or the benefit crystallisation event occurs”.
- 7 In section 237B (annual allowance: liability of scheme administrator), in subsection (6) omit the words from “or benefit crystallisation event 5” to the end.
- 8 In section 244K (overseas transfer charge: amount of charge) omit subsections (5) and (10).
- 9 In section 255 (assessments under Part 4 of FA 2004), in subsection (1) omit paragraph (c).
- 10 In section 263 (lifetime allowance enhanced protection: benefit accrual), in subsection (1)(a) omit “charge.”.
- 11 Omit section 267 (discharge of liability of scheme administrator to lifetime allowance charge).
- 12 (1) Section 269 (appeal against decision on discharge of liability) is amended as follows.
- (2) In subsection (1) –
  - (a) in paragraph (a) omit “section 267(2) (discharge of liability to lifetime allowance charge)”;
  - (b) omit paragraph (b).
- (3) In subsection (6) omit “lifetime allowance charge.”.

- (4) Omit subsections (9) to (11).
- 13 In section 272A (liabilities of independent trustee), in subsection (7) omit paragraph (b).
- 14 In section 280 (abbreviations and general index), in the table in subsection (2) omit the entries for the following –
- amount crystallised;
  - available (in relation to a person’s lifetime allowance);
  - benefit crystallisation event;
  - lifetime allowance (in relation to a person);
  - lifetime allowance charge;
  - lifetime allowance enhancement factors;
  - lifetime allowance excess lump sum;
  - standard lifetime allowance;
  - transitional 2013/14 lump sum;
  - winding-up lump sum death benefit.
- 15 In Schedule 28 (pension rules and pension death benefit rules), in Part 2 (pension death benefit rules), in paragraph 16AA, omit sub-paragraph (a).
- 16 Omit Schedule 32 (meaning of expressions used in the table in section 216(1))
- 17 In Schedule 34 (non-UK schemes: application of certain charges) omit paragraphs 13 to 19 (lifetime allowance charge) and the italic heading before those paragraphs.

## PART 2

### TAXATION OF LUMP SUMS

#### *Amendments of Part 4 of FA 2004 (pension schemes etc)*

- 18 Part 4 of FA 2004 (pension schemes etc) is amended as follows.
- 19 (1) Section 166 (lump sum rule) is amended as follows.
- (2) In subsection (1), in the lump sum rule –
- (a) at the end of paragraph (e) insert “, or”;
  - (b) omit paragraphs (g) and (h).
- (3) In subsection (2) –
- (a) omit paragraph (za);
  - (b) in paragraph (a), for “of any other” substitute “a”.
- 20 In section 168 (lump sum death benefit rule), in subsection (1), in the lump sum death benefit rule –
- (a) at the end of paragraph (f) insert “, or”;
  - (b) omit paragraph (i) (and the “or” before it).

- 21 (1) Section 228ZA (tapered reduction of annual allowance: high-income individual) is amended as follows.
- (2) In subsection (4) (definition of “adjusted income”), for paragraph (e) substitute –
- “(e) the amount of any lump sum death benefit which is subject to the charge to pension income under Part 9 of ITEPA 2003 (pension income) in the tax year.”
- (3) In subsection (5) (definition of “threshold income”), for paragraph (d) substitute –
- “(d) the amount of any lump sum death benefit which is subject to the charge to pension income under Part 9 of ITEPA 2003 (pension income) in the tax year.”
- 22 (1) Section 265 (winding-up to facilitate payment of lump sums) is amended as follows.
- (2) In subsection (2) omit “or winding-up lump sum death benefits (or both)”.
- (3) In subsection (4) omit paragraph (b) (and the “and” before it).
- 23 Schedule 29 (authorised lump sums - supplementary) is amended in accordance with paragraphs 24 to 33.
- 24 (1) Paragraphs 1 to 3A (pension commencement lump sums) are amended as follows.
- (2) In paragraph 1 (pension commencement lump sum) –
- (a) in sub-paragraph (1) –
- (i) omit paragraph (b);
- (ii) in sub-paragraph (f) for “sub-paragraphs (4) and (4A)” substitute “sub-paragraph (4A)”;
- (b) omit sub-paragraphs (2), (3A), (4), (5) and (6).
- (3) Omit paragraphs 1A and 1B (which modify the definition of “pension commencement lump sum” in relation to certain lump sums paid before 6 April 2015 and are therefore no longer of practical utility).
- (4) Omit paragraph 2 (definition of “permitted maximum”).
- (5) Omit paragraph 3 (definition of “the applicable amount”).
- (6) In paragraph 3A (anti-avoidance rule to prevent recycling of pension commencement lump sum) –
- (a) in sub-paragraph (4A) omit paragraph (a);
- (b) in sub-paragraph (5), for paragraphs (a) and (b) substitute “the amount of the lump sum”.
- (7) After paragraph 3A insert –
- “3B (1) This paragraph contains an anti-avoidance rule relating to pension commencement lump sums.
- (2) Sub-paragraph (3) applies if –

- (a) sums or assets held for the purposes of, or representing accrued rights under, a money purchase arrangement relating to the member under a registered pension scheme (“member money purchase funds”) are subject to a relevant surrender or a relevant transfer,
  - (b) the sole or main purpose of the relevant surrender or relevant transfer is to increase the applicable amount for the purposes of section 637A(3)(b) of ITEPA 2003 (tax treatment of pension commencement lump sum) on the member becoming entitled to a scheme pension, and
  - (c) the member becomes entitled to a scheme pension under a relevant defined benefits arrangement.
- (3) The pension scheme under which the relevant defined benefits arrangement is in an arrangement is to be treated as making an unauthorised payment to the member of the amount by which—
  - (a) the applicable amount in relation to the relevant defined benefits arrangement (as determined under section 637Q of ITEPA 2003), exceeds
  - (b) what would be the applicable amount (as determined under section 637S of that Act) if the arrangement were a money purchase arrangement.
- (4) For the purposes of sub-paragraph (2)—
  - (a) member money purchase funds are subject to a “relevant surrender” if they are surrendered and, in consequence of the surrender, there is a corresponding increase in the sums or assets held for the purposes of, or representing rights under, a defined benefits arrangement relating to the member under the pension scheme (or such an arrangement is established), and
  - (b) member money purchase funds are subject to a “relevant transfer” if they are transferred so as to become held for the purposes of, or to represent rights under, a defined benefits arrangement relating to the member under any other registered pension scheme.
- (5) In this paragraph “relevant defined benefits arrangement” means—
  - (a) the defined benefits arrangement mentioned in paragraph (a) or (b) of sub-paragraph (4), or
  - (b) any other defined benefits arrangement relating to the member (under the pension scheme or any other registered pension scheme) in the case of which any of the sums or assets held for the purposes of, or representing accrued rights under, the arrangement directly or indirectly represent sums or assets previously held for the purposes of, or representing accrued rights under, the defined benefits arrangement so mentioned.”

- 25 (1) Paragraph 4 (serious ill-health lump sum) is amended as follows.
- (2) In sub-paragraph (1)–
- (a) at the end of paragraph (a) insert “and”;
- (b) omit paragraph (b).
- (3) In sub-paragraph (2) for “in respect of which there has been no previous benefit crystallisation event” substitute “under which the member has not previously become entitled to any pension or lump sum”.
- (4) Omit sub-paragraph (3).
- 26 (1) Paragraph 4A (uncrystallised funds pension lump sum) is amended as follows.
- (2) In sub-paragraph (1) omit paragraph (b).
- (3) Omit sub-paragraph (2).
- (4) In sub-paragraph (6) omit paragraphs (b) to (d).
- 27 (1) Paragraph 5 (short service refund lump sum) is amended as follows.
- (2) In sub-paragraph (1) for paragraph (c) substitute–
- “(c) the member has not previously become entitled to any pension or lump sum under the pension scheme,”
- 28 (1) In paragraph 7 (trivial commutation lump sum), in sub-paragraph (1) omit paragraph (c).
- (2) In paragraph 8 (trivial commutation lump sum - value of member’s relevant crystallised pension rights on the nominated date), in sub-paragraph (1), for paragraph (b) substitute–
- “(b) the total value of–
- (i) the benefits to which the individual has become entitled, under the arrangement or scheme pension in question, in the period beginning with 6 April 2006 and ending with the nominated date, and
- (ii) the benefits to which any other person has become so entitled in that period in respect of the individual.”
- (3) In that paragraph, after sub-paragraph (1) insert–
- “(1A) The Commissioners for His Majesty’s Customs and Excise may by regulations make provision about how an entitlement to benefits is to be valued for the purposes of sub-paragraph (1)(b).”
- 29 (1) In paragraph 10 (winding-up lump sum) sub-paragraph (1) is amended as follows.
- (2) At the end of paragraph (c) insert “and”.
- (3) Omit paragraph (d).
- 30 Omit paragraph 11 (lifetime allowance excess lump sum) and the italic heading before it.

- 31 Omit paragraph 11A (transitional 2013/14 lump sum) and the italic heading before it.
- 32 (1) Paragraph 12 (interpretation of Part 1 of Schedule 29) is amended as follows.
- (2) Omit sub-paragraphs (1A) to (4).
- (3) In sub-paragraph (5) omit “1(2), 4A(2),”.
- 33 (1) In paragraph 13 (defined benefits lump sum death benefit) sub-paragraph (1)(d) is amended as follows.
- (2) After “pension protection lump sum death benefit,” insert “or”.
- (3) Omit “or winding-up lump sum death benefit.”

*Amendments of Part 9 of ITEPA 2003*

- 34 Part 9 of ITEPA 2003 (pension income) is amended as follows.
- 35 In section 565 (structure of Part 9), for the paragraph relating to Chapter 15A substitute –
- “Chapter 15A –
- (a) provides for certain amounts paid under registered pension schemes in the form of lump sums to be subject to the charge to tax on pension income, and
- (b) deals with exemptions from the charge to tax (whether under this Part or any other provision) in relation to certain other amounts paid under registered pension schemes in the form of lump sums.”
- 36 (1) Section 566 (nature of charge to tax on pension income and relevant definitions) is amended as follows.
- (2) In subsection (3), for “16” substitute “15A”.
- (3) In the table in subsection (4) –
- (a) in the entry for section 636B, in the first column, for “636B” substitute “637F”.
- (b) in the entry for section 636C –
- (i) in the first column, for “636C” substitute “637M”;
- (ii) in the second column omit “and winding-up lump sum death benefits”.



37 For Chapter 15A substitute—

## “CHAPTER 15A

### LUMP SUMS UNDER REGISTERED PENSION SCHEMES

#### *Introduction*

#### **637 Introduction**

- (1) This Chapter makes provision about the income tax treatment of authorised lump sums and authorised lump sum death benefits.
- (2) In this Chapter—
  - (a) “authorised lump sum” means a lump sum permitted by the lump sum rule in section 166 of FA 2004 to be paid to a member of a registered pension scheme;
  - (b) “authorised lump sum death benefit” means a lump sum death benefit permitted by the lump sum death benefit rule in section 168 of that Act to be paid in respect of a member of a registered pension scheme.
- (3) Expressions used in this Chapter have the same meaning as in Part 4 of FA 2004 (pensions etc).

#### *Tax treatment of authorised lump sums*

#### **637A Pension commencement lump sums**

- (1) Subject to subsection (2), no liability to income tax arises on a pension commencement lump sum paid under a registered pension scheme.
- (2) If a pension commencement lump sum paid under a registered pension scheme exceeds the permitted maximum, section 579A (pensions) applies to the excess as it applies to any pension under a registered pension scheme.
- (3) In subsection (2) “the permitted maximum”, in relation to a pension commencement lump sum, means the lowest of the following amounts—
  - (a) the applicable amount in relation to the relevant pension (see sections 637N to 637S);
  - (b) so much of the individual’s lump sum allowance as is available immediately before the individual becomes entitled to the lump sum (see section 637U);
  - (c) so much of the individual’s lump sum and death benefit allowance as is available immediately before the individual becomes entitled to the lump sum (see section 637W).

- (4) In subsection (3)(a) and sections 637N to 637S, “the relevant pension” means the relevant pension mentioned in paragraph 1(1)(aa) of Schedule 29 to FA 2004 (pension in connection with which the individual is entitled to the pension commencement lump sum).

#### **637B Serious ill-health lump sums**

- (1) Subject to subsections (2) and (4), no liability to income tax arises on a serious ill-health lump sum paid under a registered pension scheme.
- (2) If—
- (a) a serious ill-health lump sum is paid under a registered pension scheme to an individual who (at the time of the payment) is under 75, and
  - (b) the lump sum exceeds the permitted maximum,
- section 579A (pensions) applies to the excess as it applies to any pension under a registered pension scheme.
- (3) In subsection (2) “the permitted maximum”, in relation to a serious ill-health lump sum, means so much of the individual’s lump sum and death benefit allowance as is available immediately before the individual becomes entitled to the lump sum (see section 637W).
- (4) If a serious ill-health lump sum is paid under a registered pension scheme to a member who (at the time of the payment) is 75 or over, section 579A (pensions) applies to the lump sum as it applies to any pension under a registered pension scheme.

#### **637C Uncrystallised funds pension lump sums**

- (1) Subject to subsection (2), where an uncrystallised funds pension lump sum is paid under a registered pension scheme—
- (a) no liability to income tax arises on 25% of the lump sum, and
  - (b) section 579A applies in relation to the remainder of the lump sum as it applies to any pension under a registered pension scheme.
- (2) If—
- (a) an uncrystallised funds pension lump sum is paid under a registered pension scheme, and
  - (b) 25% of the lump sum is an amount that exceeds the permitted maximum,
- section 579A (pensions) applies to the excess as it applies to any pension under a registered pension scheme.

- (3) In subsection (2) “the permitted maximum”, in relation to an uncrystallised funds pension lump sum paid to an individual, means the lower of the following amounts –
- (a) so much of the individual’s lump sum allowance as is available immediately before the member becomes entitled to the lump sum (see section 637U);
  - (b) so much of the individual’s lump sum and death benefit allowance as is available immediately before the member becomes entitled to the lump sum (see section 637W).

**637D Short service refund lump sum**

A short service refund lump paid under a registered pension scheme is subject to income tax in accordance with section 205 of FA 2004 (charge to tax on scheme administrator in respect of such a lump sum) but not otherwise.

**637E Refund of excess contributions lump sums**

No liability to income tax arises on a refund of excess contributions lump sum paid under a registered pension scheme.

**637F Trivial commutation lump sums and winding-up lump sums**

- (1) Subject to subsection (2), an individual to whom –
- (a) a trivial commutation lump sum, or
  - (b) a winding-up lump sum,
- is paid under a registered pension scheme is treated as having taxable pension income for the tax year in which the payment is made equal to the amount of the lump sum.
- (2) If, immediately before the lump sum is paid, the individual has uncrystallised rights under any one or more arrangements under the pension scheme, the amount of the taxable pension income is reduced by the tax-free element (if any).
- (3) In subsection (2) “the tax-free element” means the lowest of the following amounts –
- (a) 25% of the value of any uncrystallised rights extinguished by the lump sum;
  - (b) so much of the individual’s lump sum allowance as is available immediately before the individual becomes entitled to the lump sum (see section 637U);
  - (c) so much of the individual’s lump sum and death benefit allowance as is available immediately before the individual becomes entitled to the lump sum (see section 637W).
- (4) In this section “uncrystallised rights” has the same meaning as in section 212 of FA 2004; and the value for the purposes of this section

of any uncrystallised rights is to be calculated in accordance with that section.

*Tax treatment of authorised lump sum death benefits*

**637G Defined benefit lump sum death benefits**

- (1) Subject to subsections (2) to (6), no liability to income tax arises on a defined benefit lump sum death benefit paid under a registered pension scheme.
- (2) If—
  - (a) a defined benefit lump sum death benefit under a registered pension scheme is paid in respect of a member who, on death, is under 75,
  - (b) the lump sum is paid before the end of the relevant two year period, and
  - (c) the lump sum exceeds the permitted maximum, section 579A (pensions) applies to the excess as it applies to any pension under a registered pension scheme.
- (3) If—
  - (a) a defined benefit lump sum death benefit under a registered pension scheme is paid in respect of a member who, on death, is under 75,
  - (b) the lump sum is not paid before the end of the relevant two year period, and
  - (c) the lump sum is paid to a qualifying person, section 579A (pensions) applies to the lump sum as it applies to any pension under a registered pension scheme.
- (4) If—
  - (a) a defined benefit lump sum death benefit under a registered pension scheme is paid in respect of a member who, on death, is under 75,
  - (b) the lump sum is not paid before the end of the relevant two year period, and
  - (c) the lump sum is paid to a non-qualifying person, the lump sum is subject to income tax under section 206 of FA 2004 (special lump sum death benefits charge on scheme administrator) but not otherwise.
- (5) If a defined benefit lump sum death benefit under a registered pension scheme is paid—
  - (a) in respect of a member who, on death, is 75 or over, and
  - (b) to a qualifying person, section 579A (pensions) applies to the lump sum as it applies to any pension under a registered pension scheme.

- (6) If a defined benefit lump sum death benefit under a registered pension scheme is paid –
- (a) in respect of a member who, on death, is 75 or over, and
  - (b) to a non-qualifying person,
- the lump sum is subject to income tax under section 206 of FA 2004 (special lump sum death benefits charge on scheme administrator) but not otherwise.
- (7) In this section –
- “non-qualifying person” has the same meaning as in section 206 of FA 2004;
  - “the permitted maximum”, in relation to a defined benefit lump sum death benefit, means so much of the individual’s lump sum and death benefit allowance as is available immediately before the individual becomes entitled to the lump sum (see section 637W);
  - “qualifying person” means a person who is not a non-qualifying person;
  - “the relevant two year period” means the period of two years beginning with the day on which the scheme administrator of the scheme first knew of the member’s death or (if earlier) the day on which the scheme administrator could first reasonably have been expected to have known of it.

#### **637H Pension protection lump sum death benefits**

- (1) Subject to subsections (2), (3) and (4) no liability to income tax arises on a pension protection lump sum death benefit paid under a registered pension scheme.
- (2) If –
- (a) a pension protection lump sum death benefit under a registered pension scheme is paid in respect of a member who, on death, is under 75, and
  - (b) the lump sum exceeds the permitted maximum,
- section 579A (pensions) applies to the excess as it applies to any pension under a registered pension scheme.
- (3) If a pension protection lump sum death benefit under a registered pension scheme is paid –
- (a) in respect of a member who, on death, is 75 or over, and
  - (b) to a qualifying person,
- section 579A (pensions) applies to the lump sum as it applies to any pension under a registered pension scheme.
- (4) If a pension protection lump sum death benefit under a registered pension scheme is paid –
- (a) in respect of a member who, on death, is 75 or over, and

(b) to a non-qualifying person,  
the lump sum is subject to income tax under section 206 of FA 2004 (special lump sum death benefits charge on scheme administrator) but not otherwise.

- (5) In this section –
- “non-qualifying person” has the same meaning as in section 206 of FA 2004;
  - “the permitted maximum”, in relation to a pension protection lump sum death benefit, means so much of the individual’s lump sum and death benefit allowance as is available immediately before the individual becomes entitled to the lump sum (see section 637W);
  - “qualifying person” means a person who is not a non-qualifying person.

#### **637I Uncrystallised funds lump sum death benefits**

- (1) Subject to subsections (2) to (6), no liability to income tax arises on an uncrystallised funds lump sum death benefit paid under a registered pension scheme.
- (2) If –
- (a) an uncrystallised funds lump sum death benefit under a registered pension scheme is paid in respect of a member who, on death, is under 75,
  - (b) the lump sum is paid before the end of the relevant two year period, and
  - (c) the lump sum exceeds the permitted maximum,
- section 579A (pensions) applies to the excess as it applies to any pension under a registered pension scheme.
- (3) If –
- (a) an uncrystallised funds lump sum death benefit under a registered pension scheme is paid in respect of a member who, on death, is under 75,
  - (b) the lump sum is not paid before the end of the relevant two year period, and
  - (c) the lump sum is paid to a qualifying person,
- section 579A (pensions) applies to the lump sum as it applies to any pension under a registered pension scheme.
- (4) If –
- (a) an uncrystallised funds lump sum death benefit under a registered pension scheme is paid in respect of a member who, on death, is under 75,
  - (b) the lump sum is not paid before the end of the relevant two year period, and

- (c) the lump sum is paid to a non-qualifying person, the lump sum is subject to income tax under section 206 of FA 2004 (special lump sum death benefits charge on scheme administrator) but not otherwise.
- (5) If an uncrystallised funds lump sum death benefit under a registered pension scheme is paid –
- (a) in respect of a member who, on death, is 75 or over, and
  - (b) to a qualifying person,
- section 579A (pensions) applies to the lump sum as it applies to any pension under a registered pension scheme.
- (6) If an uncrystallised funds lump sum death benefit under a registered pension scheme is paid –
- (a) in respect of a member who, on death, is 75 or over, and
  - (b) to a non-qualifying person,
- the lump sum is subject to income tax under section 206 of FA 2004 (special lump sum death benefits charge on scheme administrator) but not otherwise.
- (7) In this section –
- “non-qualifying person” has the same meaning as in section 206 of FA 2004;
  - “the permitted maximum”, in relation to an uncrystallised funds lump sum death benefit, means so much of the individual’s lump sum and death benefit allowance as is available immediately before the individual becomes entitled to the lump sum (see section 637W);
  - “qualifying person” means a person who is not a non-qualifying person;
  - “the relevant two year period” means the period of two years beginning with the day on which the scheme administrator of the scheme first knew of the member’s death or (if earlier) the day on which the scheme administrator could first reasonably have been expected to have known of it.

#### **637J Annuity protection lump sum death benefits**

- (1) Subject to subsections (2), (3) and (4), no liability to income tax arises on an annuity protection lump sum death benefit paid under a registered pension scheme.
- (2) If –
- (a) an annuity protection lump sum death benefit under a registered pension scheme is paid in respect of a member who, on death, is under 75, and
  - (b) the lump sum exceeds the permitted maximum,

section 579A (pensions) applies to the excess as it applies to any pension under a registered pension scheme.

- (3) If an annuity protection lump sum death benefit under a registered pension scheme is paid –
- (a) in respect of a member who, on death, is 75 or over, and
  - (b) to a qualifying person,
- section 579A (pensions) applies to the lump sum as it applies to any pension under a registered pension scheme.
- (4) If an annuity protection lump sum death benefit under a registered pension scheme is paid –
- (a) in respect of a member who, on death, is 75 or over, and
  - (b) to a non-qualifying person,
- the lump sum is subject to income tax under section 206 of FA 2004 (special lump sum death benefits charge on scheme administrator) but not otherwise.
- (5) In this section –
- “non-qualifying person” has the same meaning as in section 206 of FA 2004;
  - “the permitted maximum”, in relation to an annuity protection lump sum death benefit, means so much of the individual’s lump sum and death benefit allowance as is available immediately before the individual becomes entitled to the lump sum (see section 637W);
  - “qualifying person” means a person who is not a non-qualifying person.

### **637K Drawdown pension fund lump sum death benefit**

- (1) Subject to subsections (2) to (6), no liability to income tax arises on a drawdown pension lump sum death benefit paid under a registered pension scheme.
- (2) If –
- (a) a drawdown pension lump sum death benefit under a registered pension scheme is paid in respect of a member who, on death, is under 75,
  - (b) the lump sum is paid before the end of the relevant two year period, and
  - (c) the lump sum exceeds the permitted maximum,
- section 579A (pensions) applies to the excess as it applies to any pension under a registered pension scheme.
- (3) If –



- (a) a drawdown pension lump sum death benefit under a registered pension scheme is paid in respect of a member who, on death, is under 75,
  - (b) the lump sum is not paid before the end of the relevant two year period, and
  - (c) the lump sum is paid to a qualifying person,section 579A (pensions) applies to the lump sum as it applies to any pension under a registered pension scheme.
- (4) If—
  - (a) a drawdown pension lump sum death benefit under a registered pension scheme is paid in respect of a member who, on death, is under 75,
  - (b) the lump sum is not paid before the end of the relevant two year period, and
  - (c) the lump sum is paid to a non-qualifying person,the lump sum is subject to income tax under section 206 of FA 2004 (special lump sum death benefits charge on scheme administrator) but not otherwise.
- (5) If a drawdown pension lump sum death benefit under a registered pension scheme is paid—
  - (a) in respect of a member who, on death, is 75 or over, and
  - (b) to a qualifying person,section 579A (pensions) applies to the excess as it applies to any pension under a registered pension scheme.
- (6) If a drawdown pension lump sum death benefit under a registered pension scheme is paid—
  - (a) in respect of a member who, on death, is 75 or over, and
  - (b) to a non-qualifying person,the lump sum is subject to income tax under section 206 of FA 2004 (special lump sum death benefits charge on scheme administrator) but not otherwise.
- (7) A reference in this section to a “member” is, in relation to a drawdown pension lump sum death benefit under paragraph 17(2) of Schedule 29 to FA 2004 (lump sum payable on death of dependant of deceased member) a reference to the dependant on whose death the lump sum is payable
- (8) In this section—
  - “non-qualifying person” has the same meaning as in section 206 of FA 2004;
  - “the permitted maximum”, in relation to a drawdown pension lump sum death benefit, means so much of the individual’s lump sum and death benefit allowance as is available

immediately before the individual becomes entitled to the lump sum (see section 637W);

“qualifying person” means a person who is not a non-qualifying person;

“the relevant two year period” means the period of two years beginning with the day on which the scheme administrator of the scheme first knew of the member’s death or (if earlier) the day on which the scheme administrator could first reasonably have been expected to have known of it.

**637L Flexi-access drawdown lump sum death benefit**

- (1) Subject to subsections (2) to (6), no liability to income tax arises on a flexi-access drawdown lump sum death benefit paid under a registered pension scheme.
- (2) If—
  - (a) a flexi-access drawdown lump sum death benefit under a registered pension scheme is paid in respect of a member who, on death, is under 75,
  - (b) the lump sum is paid before the end of the relevant two year period, and
  - (c) the lump sum exceeds the permitted maximum, section 579A (pensions) applies to the excess as it applies to any pension under a registered pension scheme.
- (3) If—
  - (a) a flexi-access drawdown lump sum death benefit under a registered pension scheme is paid in respect of a member who, on death, is under 75,
  - (b) the lump sum is not paid before the end of the relevant two year period, and
  - (c) the lump sum is paid to a qualifying person, section 579A (pensions) applies to the lump sum as it applies to any pension under a registered pension scheme.
- (4) If—
  - (a) a flexi-access drawdown lump sum death benefit under a registered pension scheme is paid in respect of a member who, on death, is under 75,
  - (b) the lump sum is not paid before the end of the relevant two year period, and
  - (c) the lump sum is paid to a non-qualifying person, the lump sum is subject to income tax under section 206 of FA 2004 (special lump sum death benefits charge on scheme administrator) but not otherwise.

- (5) If a flexi-access drawdown lump sum death benefit under a registered pension scheme is paid –
- (a) in respect of a member who, on death, is 75 or over, and
  - (b) to a qualifying person,
- section 579A (pensions) applies to the excess as it applies to any pension under a registered pension scheme.
- (6) If a flexi-access drawdown lump sum death benefit under a registered pension scheme is paid –
- (a) in respect of a member who, on death, is 75 or over, and
  - (b) to a non-qualifying person,
- the lump sum is subject to income tax under section 206 of FA 2004 (special lump sum death benefits charge on scheme administrator) but not otherwise.
- (7) A reference in this section to a “member” is –
- (a) in relation to a flexi-access drawdown lump sum death benefit under paragraph 17A(2) of Schedule 29 to FA 2004 (lump sum payable on death of dependant of deceased member) a reference to the dependant on whose death the lump sum is payable;
  - (b) in relation to a flexi-access drawdown lump sum death benefit under paragraph 17A(3) or (4) of Schedule 29 to FA 2004 (lump sum payable on death of nominee or successor of deceased member) a reference to the nominee or successor on whose death the lump sum is payable.
- (8) In this section –
- “non-qualifying person” has the same meaning as in section 206 of FA 2004;
  - “the permitted maximum”, in relation to a flexi-access drawdown lump sum death benefit, means so much of the individual’s lump sum and death benefit allowance as is available immediately before the individual becomes entitled to the lump sum (see section 637W);
  - “qualifying person” means a person who is not a non-qualifying person;
  - “the relevant two year period” means the period of two years beginning with the day on which the scheme administrator of the scheme first knew of the member’s death or (if earlier) the day on which the scheme administrator could first reasonably have been expected to have known of it.

#### **637M Trivial commutation lump sum death benefits**

A person to whom a trivial commutation lump sum death benefit is paid under a registered pension scheme is treated as having

taxable pension income for the tax year in which the payment is made equal to the amount of the lump sum.

*Meaning of “the applicable amount”*

**637N Income withdrawal**

- (1) This section defines “the applicable amount” for the purposes of section 637A(3)(a) in a case in which the relevant pension is income withdrawal.
- (2) The applicable amount is (subject to subsection (3)) one third of the aggregate of—
  - (a) the sums designated as available for the payment of drawdown pension on that occasion, and
  - (b) the market value of the assets so designated.
- (3) There is to be deducted from the amount determined under subsection (2) so much (if any) of the sums and assets designated as mentioned in subsection (2)(a) or (b) as represent rights attributable to a disqualifying pension credit.

**637P Lifetime annuity**

- (1) This section defines “the applicable amount” for the purposes of section 637A(3)(a) in a case in which the relevant pension is a lifetime annuity.
- (2) The applicable amount is one third of the annuity purchase price.
- (3) The annuity purchase price is (subject to subsection (4)) the aggregate of—
  - (a) such of the sums held for the purposes of the pension scheme, and
  - (b) the market value of such of the assets held for the purposes of the pension scheme,as are applied in (or in connection with) the purchase of the lifetime annuity and any related dependants' annuity and any related nominees' annuity.
- (4) There is to be deducted from the amount determined under subsection (3)—
  - (a) if the sums or assets applied in (or in connection with) the purchase of the annuity or any related dependants' annuity or any related nominees' annuity consist of or include sums or assets representing the whole or part of the member's drawdown pension fund or of the member's flexi-access drawdown fund, the aggregate of those sums and the market value of those assets, and

- (b) in any case, so much (if any) of the sums or assets applied in (or in connection with) the purchase of the annuity or any related dependants' annuity or any related nominees' annuity as represents rights which are attributable to a disqualifying pension credit.

**637Q Scheme pension under defined benefits arrangement**

- (1) This section defines “the applicable amount” for the purposes of section 637A(3)(a) in a case in which the relevant pension is a scheme pension under a defined benefits arrangement.
- (2) The applicable amount is (subject to subsection (3)) –

$$\frac{A + (B \times C) - D}{4}$$

where –

- A is the amount of the lump sum;
- B is the relevant revaluation factor (see section 276 of FA 2004);
- C is the amount of the pension which will be payable to the individual in the period of 12 months beginning with the day on which the individual becomes entitled to it (assuming that it remains payable throughout that period at the rate at which it is payable on that day);
- D is so much (if any) of A or C as represents rights which are attributable to a disqualifying pension credit.
- (3) In determining C for the purposes of subsection (2) in a case in which the pension is under a public service pension scheme, any abatement of the pension is to be left out of account.

**637R Scheme pension under collective money purchase arrangement**

Section 637Q applies in relation to a collective money purchase arrangement as it applies in relation to a defined benefits arrangement.

**637S Scheme pension under a money purchase arrangement**

- (1) This section defines “the applicable amount” for the purposes of section 637A(3)(a) in a case in which the relevant pension is a scheme pension under a money purchase arrangement that is not a collective money purchase arrangement.
- (2) The applicable amount is one third of the scheme pension purchase price.

- (3) The scheme pension purchase price is (subject to subsection (4)) the aggregate of—
- (a) such of the sums held for the purposes of the pension scheme, and
  - (b) the market value of such of the assets held for the purposes of the pension scheme,
- as are applied in (or in connection with) the purchase or provision of the scheme pension and any related dependants' scheme pension.
- (4) There is to be deducted from the amount determined under subsection (3)—
- (a) if the scheme pension is funded (in whole or in part) by the application of sums or assets representing the whole or part of the member's drawdown pension fund or of the member's flexi-access drawdown fund, the aggregate of those sums and the market value of those assets, and
  - (b) in any case, so much (if any) of the sums and assets referred to in subsection (3)(a) and (b) as represent rights which are attributable to a disqualifying pension credit.

#### *Allowances*

#### **637T Individual's lump sum allowance**

An individual's "lump sum allowance" is £268,275.

#### **637U Availability of individual's lump sum allowance**

- (1) This section is about the availability of an individual's lump sum allowance on the occurrence of a relevant benefit crystallisation event ("the current event").
- (2) In this section—
- (a) "relevant benefit crystallisation event", in relation to an individual, means the individual becoming entitled to a relevant lump sum;
  - (b) "relevant lump sum" means—
    - (i) a pension commencement lump sum,
    - (ii) an uncrystallised funds pension lump sum,
    - (iii) a trivial commutation lump sum, or
    - (iv) a winding-up lump sum.
- (3) If no relevant benefit crystallisation event has occurred in relation to the individual before the current event, the whole of the individual's lump sum allowance is available.
- (4) Otherwise, the amount of the individual's lump sum allowance that is available is—

- (a) so much of that allowance as is left after deducting the previously-used amount, or
  - (b) if none is left after deducting that amount, nil.
- (5) For this purpose “the previously-used amount” is the aggregate of the non-taxable amounts in relation to each relevant lump sum to which the individual has previously become entitled.
- (6) In subsection (5) “non-taxable amount”, in relation to a relevant lump sum, means so much (if any) of that lump sum as is exempt from the charge to income tax by virtue of any provision of this Chapter.

**637V Individual’s lump sum and death benefit allowance**

An individual’s “lump sum and death benefit allowance” is £1,073,100.

**637W Availability of individual’s lump sum and death benefit allowance**

- (1) This section is about the availability of an individual’s lump sum and death benefit allowance on the occurrence of a relevant benefit crystallisation event (“the current event”).
- (2) In this section “relevant benefit crystallisation event”, in relation to an individual, means—
  - (a) the individual becoming entitled to an authorised lump sum, or
  - (b) a person becoming entitled to an authorised lump sum death benefit in respect of the individual.
- (3) If no relevant benefit crystallisation event has occurred in relation to the individual before the current event, the whole of the individual’s lump sum and death benefit allowance is available.
- (4) Otherwise, the amount of the individual’s lump sum and death benefit allowance that is available is—
  - (a) so much of that allowance as is left after deducting the previously-used amount, or
  - (b) if none is left after deducting that amount, nil.
- (5) For this purpose “the previously-used amount” is the aggregate of—
  - (a) the non-taxable amount in relation to each authorised lump sum (if any) to which the individual has previously become entitled, and
  - (b) the non-taxable amount in relation to each authorised lump sum death benefit (if any) in respect of the individual to which any person has previously become entitled.

- (6) In subsection (5) “non-taxable amount”, in relation to an authorised lump sum or authorised lump sum death benefit, means so much (if any) of that lump sum or lump sum death benefit as is exempt from the charge to income tax by virtue of any provision of this Chapter.
- (7) Where more than one relevant benefit crystallisation event occurs in relation to an individual on the same day, it is for the individual to decide the order in which they are to be treated as occurring for the purposes of this section.
- (8) Where more than one relevant benefit crystallisation event within subsection (2)(b) occurs in relation to an individual, they are to be treated for the purposes of this section as occurring –
  - (a) immediately before the individual’s death, but
  - (b) immediately after any pension commencement lump sum to which the individual becomes entitled immediately before death by virtue of section 166(2).
- (9) Paragraph 20 of Schedule 36 to FA 2004 (pensions in payment before commencement of Part 4 of FA 2004) makes provision affecting this section.

*Interpretation*

**637X Meaning of “disqualifying pension credit”**

- (1) For the purposes of this Chapter a pension credit is disqualifying if, when the member becomes entitled to it, the person subject to the corresponding pension debit has an actual (rather than a prospective) right to payment of a pension under the relevant arrangement.
- (2) The “relevant arrangement” is the arrangement to which the pension sharing order or provision, by virtue of which the member becomes entitled to the pension credit, relates.

**637Y Annuities and scheme pensions: meaning of “related to”**

- (1) For the purposes of this Chapter, a dependants' annuity is “related to” a lifetime annuity payable to a member of a registered pension scheme if –
  - (a) they are purchased either in the form of a joint life annuity or separately in circumstances in which the day on which the one is purchased is no earlier than seven days before, and no later than seven days after, the day on which the other is purchased, and
  - (b) the dependant's annuity will be payable to a dependant of the member.



- (2) For the purposes of this Chapter a nominees' annuity is “related to” a lifetime annuity payable to a member of a registered pension scheme if—
  - (a) they are purchased either in the form of a joint life annuity or separately in circumstances in which the day on which the one is purchased is no earlier than seven days before, and no later than seven days after, the day on which the other is purchased, and
  - (b) the nominees' annuity will be payable to a nominee of the member.
  
- (3) For the purposes of this Chapter a dependants' scheme pension is “related to” a scheme pension payable to a member of a registered pension scheme if—
  - (a) the day on which one is purchased or sums or assets are applied for its provision is no earlier than seven days before, and no later than seven days after, the day on which the other is purchased or sums or assets are applied for its provision, and
  - (b) the dependants' scheme pension will be payable to a dependant of the member.”

*Amendments of the Registered Pension Schemes (Authorised Payments) Regulations 2009*

- 38 (1) The Registered Pension Schemes (Authorised Payments) Regulations 2009 (S.I. 2009/1171) are amended as follows.
- (2) Omit regulation 3A (which relates to payments made before 6 April 2015 and is therefore no longer of practical utility).
  - (3) In regulation 7 (meaning of “relevant accretion”) omit paragraphs (3) and (3A).
  - (4) In regulation 16 (payments of arrears of pension after death) omit paragraphs (5) and (6).
  - (5) Omit regulation 17 (commencement lump sums based on pension errors).
  - (6) Omit regulation 18 (commencement lump sums paid in error: money purchase arrangements).
  - (7) In regulation 19 (commencement lump sums paid after death) omit paragraphs (2) and (3).
  - (8) In regulation 20 (part refund payments relating to short service), in paragraph (1) for sub-paragraph (b) substitute—
    - “(b) the member has not previously become entitled to any pension or lump sum under the pension scheme;”

### PART 3

#### TRANSITIONAL PROTECTIONS

##### *Amendments of Schedule 29 to FA 2004*

- 39 (1) In Schedule 29 to FA 2004 (registered pension schemes: authorised lump sums: supplementary), paragraph 4A (uncrystallised funds pension lump sum) is amended as follows.
- (2) In sub-paragraph (1) –
- (a) at the end of paragraph (e) insert “and”;
  - (b) omit the “and” at the end of paragraph (f);
  - (c) omit paragraph (g).
- (3) Omit sub-paragraphs (3) to (6).

##### *Amendments of Part 2 of Schedule 36 to FA 2004: introduction*

- 40 In Part 2 of Schedule 36 to FA 2004 (transitional provision and saving: pre-commencement rights: lifetime allowance charge), in the heading, for “lifetime allowance charge” substitute “enhancement of allowances”.
- 41 That Part is amended in accordance with paragraphs 42 to 49.

##### *Primary protection*

- 42 For paragraph 7 (primary protection) substitute –
- “7 (1) This paragraph applies in the case of an individual where –
- (a) the amount of the relevant pre-commencement pension rights of the individual exceeds £1,500,000, and
  - (b) notice of intention to rely on this paragraph is given to His Majesty’s Revenue and Customs in accordance with regulations made by the Commissioners of His Majesty’s Revenue and Customs.
- (2) Chapter 15A of Part 9 of ITEPA 2003 (pension income: lump sums under registered pension schemes) has effect in relation to the individual with the modifications in sub-paragraphs (3) and (4).
- (3) Section 637T of ITEPA 2003 (individual’s lump sum allowance) applies as if the amount specified in that section were £375,000 increased by the primary protection factor calculated under sub-paragraph (5).
- (4) Section 637V 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 £1,800,000 increased by the primary protection factor calculated under sub-paragraph (5).
- (5) The primary protection factor is –

$$\frac{A - £1,500,000}{£1,500,000}$$

where A is the amount of relevant pre-commencement pension rights of the individual (see sub-paragraph (6)).

- (6) The amount of the relevant pre-commencement rights of the individual is the aggregate of—
- (a) the value of the individual’s relevant uncrystallised pension rights on 5th April 2006 (calculated in accordance with paragraphs 8 and 9), and
  - (b) the value of the individual’s relevant crystallised pension rights on that date (calculated in accordance with paragraph 10).
- (7) Sub-paragraph (5) is subject to paragraph 11 (pension debit on or after 6th April 2006) and paragraph 11A (pension debit on or after 6th April 2006: lump sum death benefits).
- (8) For the purposes of this Part, a lump sum is not an uncrystallised funds pension lump sum (see paragraph 4A of Schedule 29) if—
- (a) the lump sum condition (see paragraphs 24(2) and (3), 25 and 26 of this Schedule) is met in relation to the individual, or
  - (b) immediately before the lump sum is paid, the amount of the individual’s lump sum allowance that is available (see section 637U of ITEPA 2003) is less than 25% of the lump sum.”
- 43 (1) Paragraph 11 (pension debit on or after 6th April 2006) is amended as follows.
- (2) In sub-paragraph (1), in paragraph (a), for the words from “the operation” to the end substitute “an individual’s lump sum and death benefit allowance (see section 637V of ITEPA 2003) to be increased”.
  - (3) In sub-paragraph (2), for “paragraph 7(3)” substitute “paragraph 7(5)”.
  - (4) In sub-paragraph (3), for “RR (see paragraph 7(3))” substitute “A (see paragraph 7(5))”.
  - (5) In sub-paragraph (4), for “benefit crystallisation event” substitute “relevant benefit crystallisation event”.
  - (6) After that sub-paragraph insert—
    - “(5) In this paragraph “relevant benefit crystallisation event” has the same meaning as in subsection (2) of section 637W of ITEPA 2003 (availability of individual’s lump sum and death benefit allowance).”
- 44 (1) Paragraph 11A (pension debit on or after 6th April 2006: lump sum death benefits) is amended as follows.

- (2) In sub-paragraph (1), in paragraph (a), for the words from “the operation” to “an individual” substitute “an individual’s lump sum and death benefit allowance to be increased”.
- (3) In sub-paragraphs (2) and (3), for “RR” substitute “A”.
- (4) In sub-paragraph (4), in each place it appears, for “benefit crystallisation event” substitute “relevant benefit crystallisation event”.
- (5) After that sub-paragraph insert –
  - “(5) In this paragraph “relevant benefit crystallisation event” has the same meaning as in subsection (2) of section 637W of ITEPA 2003 (availability of individual’s lump sum and death benefit allowance).”

*Enhanced protection*

- 45 (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) has effect in relation to the individual with the modifications in sub-paragraphs (3B) to (3D).
    - (3B) For the purposes of determining the income tax treatment of a lump sum or a lump sum death benefit –
      - (a) section 637A of ITEPA 2003 (pension commencement lump sums) has effect as if, in subsection (3) of that section (which defines the permitted maximum), for paragraph (b) there were substituted –
        - “(b) the maximum amount of a pension commencement lump sum that could have been paid to the individual on 5 April 2023;”;
      - (b) section 637B of that Act (serious ill-health lump sums) has effect as if, in subsection (3) of that section (which defines the permitted maximum), after “means” there were inserted “the lower of the following amounts –
        - (a) the maximum amount of a serious ill-health lump sum that could have been paid to the individual on 5 April 2024;
        - (b)”;
      - (c) section 637C of that Act (uncrystallised funds pension lump sums) has effect as if, in subsection (3) of that section

(which defines the permitted maximum), before paragraph  
(a) there were inserted –

- “(za) 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;”;
- (d) section 637G of that Act (defined benefit lump sum death benefits) has effect as if, in subsection (7) of that section, in the definition of “the permitted maximum”, after “means” there were inserted “the lower of the following amounts –
  - (a) the maximum amount of a defined benefit lump sum death benefit that could have been paid to the individual on 5 April 2024;
  - (b)”;
- (e) section 637H 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”, after “means” there were inserted “the lower of the following amounts –
  - (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;
  - (b)”;
- (f) section 637I of that Act (uncrystallised funds lump sum death benefits) has effect as if, in subsection (7), in the definition of “the permitted maximum”, after “means” there were inserted “the lower of the following amounts –
  - (a) the maximum amount of an uncrystallised funds lump sum death benefit that could have been paid in respect of the individual on 5 April 2024;
  - (b)”;
- (g) section 637J of that Act (annuity protection lump sum death benefits) has effect as if, in subsection (5), in the definition of “the permitted maximum”, after “means” there were inserted “the lower of the following amounts –
  - (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;
  - (b)”;

- (h) section 637K of that Act (drawdown pension fund lump sum death benefits) has effect as if, in subsection (8), in the definition of “the permitted maximum”, after “means” there were inserted “the lower of the following amounts –
  - (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;
  - (b)”;
- (i) section 637L of that Act (flexi-access drawdown lump sum death benefits) has effect as if, in subsection (8), in the definition of “the permitted maximum”, after “means” there were inserted “the lower of the following amounts –
  - (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;
  - (b)”.

- (3C) Section 637T of ITEPA 2003 (individual’s lump sum allowance) applies as if the amount specified in that section were £375,000.
- (3D) Section 637V 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.
- (3E) 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 (3D).
- (3F) 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.”

46 In paragraph 16 (post-commencement earnings limit), in subsection (3), for the words from “7.5%” to the end substitute “£135,000.”

*Pre-commencement pension credits*

- 47 For paragraph 18 (pre-commencement pension credits) substitute –
- “18 (1) This paragraph applies in the case of an individual where –
    - (a) before 6th April 2006, the individual has acquired rights under a pension scheme within paragraph 1(1) by virtue of having become entitled to a pension credit,

- (b) notice of intention to rely on this paragraph is given to His Majesty's Revenue and Customs in accordance with regulations made by the Commissioners for His Majesty's Revenue and Customs, and
  - (c) paragraph 7 (primary protection) does not apply in relation to the individual.
- (2) Chapter 15A of Part 9 of ITEPA 2003 (pension income: lump sums under registered pension schemes) has effect in relation to the individual with the modifications in sub-paragraphs (3) and (4).
- (3) Section 637T of ITEPA 2003 (individual's lump sum allowance) applies as if the amount specified in that section were the lower of—
  - (a) the amount given by the formula in sub-paragraph (5);
  - (b) £375,000.
- (4) Section 637V of ITEPA 2003 (individual's lump sum and death benefit allowance) applies as if the amount specified in that section were the amount given by the formula in sub-paragraph (5).
- (5) The formula is—

$$A + (A \times B)$$

where—

A is—

- (a) for the purposes of sub-paragraph (3), the amount specified in section 637T of ITEPA 2003;
- (b) for the purposes of sub-paragraph (4), the amount specified in section 637V of ITEPA 2003

B is the pre-commencement pension credit factor calculated under sub-paragraph (6).

- (6) The pre-commencement pension credit factor is—

$$\frac{C}{£1,500,000}$$

where C is the amount which is the appropriate amount for the purposes of section 29(1) of WRP(A) 1999 or Article 26(1) of WRP(NI)O 1999 in relation to the pension credit, as increased by the percentage specified in sub-paragraph (7).

- (7) The percentage is the percentage by which the retail prices index for April 2006 is greater than that for the month in which the rights were acquired.
- (8) For the purposes of this Part a lump sum is not an uncrystallised funds pension lump sum (see paragraph 4A of Schedule 29) if immediately before the lump sum is paid, the amount of the individual's lump sum allowance that is available (see section

637U of ITEPA 2003 (availability of individual's lump sum allowance) is less than 25% of the lump sum.”

48 (1) Paragraph 19 (individuals permitted to take pension before normal minimum pension age) is amended as follows.

(2) In sub-paragraph (1), in the words before paragraph (a), for “benefit crystallisation event” substitute “relevant benefit crystallisation event for the purposes of section 637U or 637W of ITEPA 2003 (availability of individual's lump sum allowance and lump sum death benefit allowance)”.

(3) After that paragraph insert –

“(1A) Chapter 15A of Part 9 of ITEPA 2003 (pension income: lump sums under registered pension schemes) has effect in relation to the individual with the modifications in sub-paragraphs (1B) and (2).

(1B) Where the event is the individual becoming entitled to a pension commencement lump sum, section 637T of ITEPA 2003 (individual's lump sum allowance) applies as if the amount specified in that section were £268,275 reduced by the relevant percentage.”

(4) For sub-paragraph (2) substitute –

“(2) Where the event is a relevant benefit crystallisation event for the purposes of section 637W of ITEPA 2003 (availability of individual's lump sum and death benefit allowance), section 637V of ITEPA 2003 (individual's lump sum and death benefit allowance) applies as if the amount specified in that section were the amount determined under sub-paragraph (2A) reduced by the relevant percentage.

(2A) That amount is –

(a) £1,073,100, or

(b) in a case where, ignoring this paragraph, section 637V of ITEPA 2003 (individual's lump sum and death benefit allowance) would apply in relation to the individual by virtue of any other provision of this Schedule as if it specified any other amount, that amount.”

(5) In sub-paragraphs (3) and (4), for “benefit crystallisation event” substitute “relevant benefit crystallisation event”.

(6) Omit sub-paragraphs (5) and (6).

49 (1) Paragraph 20 (pre-commencement pensions) is amended as follows.

(2) In sub-paragraph (2) –

(a) in the words before paragraph (a) –

(i) for “Section 219 (availability of individual's lifetime allowance)” substitute “Section 637W of ITEPA 2003 (availability of individual's lump sum and death benefit allowance)”;



- (ii) for “benefit crystallisation event” substitute “relevant benefit crystallisation event”;
  - (b) in that paragraph, for “benefit crystallisation event” substitute “relevant benefit crystallisation event”;
  - (c) in paragraph (b) –
    - (i) for “amount crystallised” substitute “amount of the lump sum to which the relevant benefit crystallisation event relates”;
    - (ii) for “benefit crystallisation event” substitute “relevant benefit crystallisation event”.
- (3) After sub-paragraph (5) insert –
- “(6) In this paragraph “relevant benefit crystallisation event” has the same meaning as in subsection (2) of section 637W of ITEPA 2003 (availability of individual’s lump sum and death benefit allowance).”

*Amendments of Part 3 of Schedule 36 to FA 2004: introduction*

- 50 Part 3 of Schedule 36 to FA 2004 (transitional provision and saving: pre-commencement benefit rights) is amended in accordance with paragraphs 51 to 59.

*Pre-commencement benefit rights*

- 51 Omit paragraph 23A (lump sums before normal minimum pension age) and the italic heading before it.
- 52 (1) In paragraph 24 (lump sum rights exceeding £375,000: primary and enhanced protection), sub-paragraph (1) is amended as follows.
- (2) In paragraph (a) –
    - (a) for “paragraphs 27 to” substitute “paragraphs 28 and”;
    - (b) for “Schedule 29” substitute “Chapter 15A of Part 9 of ITEPA 2003 (pension income: lump sums under registered pension schemes)”.
  - (3) For paragraph (b) substitute –
    - “(b) paragraph 29A (which makes provision modifying the value of the individual’s lump sum allowance),”.
- 53 Omit paragraph 27 (enhanced protection: permitted maximum).
- 54 (1) Paragraph 28 (no enhanced protection: permitted maximum) is amended as follows.
- (2) In sub-paragraph (1), for “paragraph 2 of Schedule 29” substitute “Chapter 15A of Part 9 of ITEPA 2003 (pension income: lump sums under registered pension schemes)”.

(3) In sub-paragraph (2), for “the permitted maximum under paragraph (2)” substitute “the permitted maximum for the purposes of section 637A of ITEPA 2003 (pension commencement lump sums)”.

(4) For sub-paragraph (3) substitute –

“(3) Otherwise, the permitted maximum for the purposes of that section is –

$$A - B$$

where –

A is the value of the individual’s relevant uncrystallised lump sum rights on 5 April 2006 (calculated in accordance with paragraphs 25 and 26), as adjusted under sub-paragraph (4);

B is the aggregate of the amounts of each pension commencement lump sum to which the individual has previously become entitled, as adjusted under sub-paragraph (5) (or, if the individual has not previously become entitled to a pension commencement lump sum, is nil).

(4) The adjustment referred to in the definition of A is the multiplication of the value of the individual’s relevant uncrystallised lump sum rights on 5th April 2006 by 1.2 (being £1,800,000 divided by £1,500,000).

(5) The adjustment of the amount of a pension commencement lump sum to which the individual has previously become entitled referred to in the definition of B is the multiplication of the amount by –

$$\frac{£1,800,000}{C}$$

where C is –

- (a) if the individual became entitled to the lump sum before 6 April 2012, the standard lifetime allowance at that time;
- (b) otherwise, £1,800,000.”

55 For paragraph 29 (enhanced protection: applicable amount) substitute –

“29 (1) If (and for so long as) paragraph 12 (enhanced protection) applies in relation to the individual, sections 637N to 637S of ITEPA 2003 (meaning of “the applicable amount”) apply with the following modifications.

(2) Section 637N of that Act (income withdrawal) applies as if, for subsections (2) and (3), there were substituted –

“(2) The applicable amount is –

$$\frac{A}{B} \times (C + D)$$

where—

A is the value of the individual’s relevant uncrystallised lump sum rights on 5 April 2006, calculated in accordance with paragraphs 25 and 26 of Schedule 36 to FA 2004;

B is the value of the individual’s uncrystallised pension rights on 5 April 2006, calculated in accordance with paragraphs 8 and 9 of that Schedule;

C is the pension commencement lump sum paid;

D is—

(a) the aggregate of the sums, and the market value of the assets, designated as available for the payment of drawdown pension on that occasion, less

(b) so much (if any) of that amount as represents rights which are attributable to a disqualifying pension credit.”

(3) Section 637P of that Act (lifetime annuity) applies as if, for subsection (2) there were substituted—

“(2) The applicable amount is (subject to subsection (4))—

$$\frac{A}{B} \times (C + D - E)$$

where—

A is the value of the individual’s relevant uncrystallised lump sum rights on 5 April 2006, calculated in accordance with paragraphs 25 and 26 of Schedule 36 to FA 2004;

B is the value of the individual’s uncrystallised pension rights on 5 April 2006, calculated in accordance with paragraphs 8 and 9 of that Schedule;

C is the pension commencement lump sum paid;

D is the annuity purchase price;

E is—

(a) if the annuity is purchased (in whole or in part) by the application of sums or assets representing the whole or part of the member’s drawdown pension fund or flexi-access drawdown fund, the aggregate

of the amount of those sums and the market value of those assets, and

- (b) otherwise, so much (if any) of the aggregate of the lump sum and the annuity purchase price as represents the rights which are attributable to a disqualifying pension credit.”

- (4) Section 637Q of that Act (scheme pension under defined benefits arrangement) applies as if –

- (a) for subsection (2) there were substituted –

“(2) The applicable amount is (subject to subsection (3)) –

$$\frac{A}{B} \times (C + D)$$

where –

A is the value of the individual’s relevant uncrystallised lump sum rights on 5 April 2006, calculated in accordance with paragraphs 25 and 26 of Schedule 36 to FA 2004;

B is the value of the individual’s uncrystallised pension rights on 5 April 2006, calculated in accordance with paragraphs 8 and 9 of that Schedule;

C is the pension commencement lump sum paid;

D is an amount equal to the value of the pension rights crystallised by reason of the individual becoming entitled to the pension (see subsection (4)).”;

- (b) after subsection (3) there were inserted –

“(4) The Commissioners for His Majesty’s Revenue and Customs may by regulations make provision about how the value of the pension rights crystallised by reason of the individual becoming entitled to the pension is to be determined for the purposes of subsection (2).”

- (5) Section 637S (scheme pension under a money purchase scheme) applies as if, for subsection (3), there were substituted –

“(3) The applicable amount is –

$$\frac{A}{B} \times (C + D)$$

where—

A is the value of the individual’s relevant uncrystallised lump sum rights on 5 April 2006, calculated in accordance with paragraphs 25 and 26 of Schedule 36 to FA 2004;

B is the value of the individual’s uncrystallised pension rights on 5 April 2006, calculated in accordance with paragraphs 8 and 9 of that Schedule;

C is the pension commencement lump sum paid;

D is the scheme pension purchase price.””

56 After paragraph 29 (inserted by paragraph 55) insert—

“29A Chapter 15A of Part 9 of ITEPA 2003 (pension income: lump sums under registered pension schemes) has effect in relation to the individual as if the amount specified in section 637T of ITEPA 2003 (individual’s lump sum allowance) were an amount equal to the maximum amount of a pension commencement lump sum that could have been paid to the member on 5 April 2023.”

57 Omit paragraph 30 (exemption for pension commencement lump sum exceeding permitted maximum from being scheme chargeable).

58 In paragraph 31 (protected pension schemes: pension commencement lump sums), in sub-paragraph (1), for the words from “the provisions of” to “specified in” substitute “the permitted maximum for the purposes of section 637A of ITEPA 2003 (pension commencement lump sums) is to be determined in accordance with”.

59 For paragraph 34 (application of Schedule 29 to FA 2004 where paragraph 31 applies) substitute—

“34 (1) Chapter 15A of Part 9 of ITEPA 2003 (pension income: lump sums under registered pension schemes) applies as if the permitted maximum for the purposes of section 637A of ITEPA 2003 (pension commencement lump sums) were—

$$(A \times 1.2) + B$$

where—

A is the value of the individual’s uncrystallised lump sum rights under the pension scheme on 5 April 2006, calculated in accordance with paragraph 32;

B is the additional lump sum amount.

(2) The additional lump sum amount is—

$$\frac{C + D - (E \times 0.7154)}{4}$$

where –

C is the pension commencement lump sum paid;

D is the value of the pension rights crystallised by reason of the member having become entitled to the pension (see sub-paragraph (3));

E is the value of the individual's uncrystallised rights under the pension scheme on 5 April 2006, calculated in accordance with paragraph 33.

- (3) The Commissioners for His Majesty's Revenue and Customs may by regulations make provision about how the value of the pension rights crystallised by reason of the member having become entitled to a pension is to be determined for the purposes of sub-paragraph (2).
- (4) Any part of what would otherwise be D or E which represents rights attributable to a disqualifying pension credit is to be disregarded.
- (5) In this paragraph "disqualifying pension credit" has the same meaning as in Chapter 15A of Part 9 of ITEPA 2003 (see section 637X of that Act)."

60 Omit paragraph 35 (winding-up lump sums paid by former approved superannuation funds).

*Fixed protection*

61 (1) In Schedule 18 to FA 2011 (lifetime allowance charge), in Part 2 (commencement and transitional provision), paragraph 14 (fixed protection) is amended as follows.

- (2) In sub-paragraph (1), in paragraph (b), for "make provision for a lifetime allowance enhancement factor" substitute "apply on that date".
- (3) In sub-paragraph (1A), in paragraph (b), for "make provision for a lifetime allowance enhancement factor" substitute "apply on that date".
- (4) For sub-paragraph (3) substitute –

“(3) Chapter 15A of Part 9 of ITEPA 2003 (pension income: lump sums under registered pension schemes) has effect in relation to the individual as if –

- (a) the amount specified in section 637T of that Act (individual's lump sum allowance) were £450,000, and
- (b) the amount specified in section 637V of that Act (individual's lump sum and death benefit allowance) were £1,800,000.”

*Fixed protection 2014*

- 62 (1) In Schedule 22 to FA 2013 (transitional provision relating to reduction in standard lifetime allowance etc), in Part 1 (“fixed protection 2014”), paragraph 1 is amended as follows.
- (2) In sub-paragraph (1), in paragraph (b), for “make provision for a lifetime allowance enhancement factor” substitute “apply on that date”.
- (3) For sub-paragraph (2) substitute –
- “(2) Chapter 15A of Part 9 of ITEPA 2003 (pension income: lump sums under registered pension schemes) has effect in relation to the individual as if –
- (a) the amount specified in section 637T of that Act (individual’s lump sum allowance) were £375,000, and
- (b) the amount specified in section 637V of that Act (individual’s lump sum and death benefit allowance) were £1,500,000.”

*Individual protection 2014*

- 63 (1) In Schedule 6 to FA 2014 (transitional provision relating to new standard lifetime allowance for the tax year 2014-15 etc), in Part 1 (“individual protection 2014”), paragraph 1 (the protection) is amended as follows.
- (2) In sub-paragraph (1), in paragraph (c), for “make provision for a lifetime allowance enhancement factor” substitute “apply on that date”.
- (3) For sub-paragraph (2) substitute –
- “(2) Chapter 15A of Part 9 of ITEPA 2003 (pension income: lump sums under registered pension schemes) has effect in relation to the individual as if –
- (a) the amount specified in section 637T of that Act (individual’s lump sum allowance) were the lower of –
- (i) 25% of the individual’s relevant amount;
- (ii) £375,000, and
- (b) the amount specified in section 637V of that Act (individual’s lump sum and death benefit allowance) were the lower of –
- (i) the individual’s relevant amount;
- (ii) £1,500,000.”

*Fixed protection 2016*

- 64 (1) In Schedule 4 to FA 2016 (pensions: lifetime allowance: transitional provision), Part 1 (“fixed protection 2016”) is amended as follows.

- (2) In paragraph 1 (the protection), for sub-paragraph (2) substitute –
- “(2) Chapter 15A of Part 9 of ITEPA 2003 (pension income: lump sums under registered pension schemes) has effect in relation to the individual as if –
- (a) the amount specified in section 637T of that Act (individual’s lump sum allowance) were £312,500, and
- (b) the amount specified in section 637V of that Act (individual’s lump sum and death benefit allowance) were £1,250,000.”
- (3) In paragraph 2 (the initial conditions), in paragraph (b), for “make provision for a lifetime allowance enhancement factor” substitute “apply on 6 April 2016”.

*Individual protection 2016*

- 65 In Schedule 4 to FA 2016 (pensions: lifetime allowance: transitional provision), Part 2 (“individual protection 2016”), in paragraph 9 (the protection) –
- (a) in sub-paragraph (1), in paragraph (c), for “make provision for a lifetime allowance enhancement factor” substitute “apply on 6 April 2016”;
- (b) for sub-paragraph (2) substitute –
- “(2) Chapter 15A of Part 9 of ITEPA 2003 (pension income: lump sums under registered pension schemes) has effect in relation to the individual as if –
- (a) the amount specified in section 637T of that Act (individual’s lump sum allowance) were the lower of –
- (i) 25% of the individual’s relevant amount;
- (ii) £312,500, and
- (b) the amount specified in section 637V of that Act (individual’s lump sum and death benefit allowance) were the lower of –
- (i) the individual’s relevant amount;
- (ii) £1,250,000.”

*Fixed and individual protection 2016: closing date*

- 66 In Part 3 (reference numbers etc), in paragraph 14 (issuing of reference numbers for fixed or individual protection 2016), in sub-paragraph (3)(b), at the end insert “before 6 April 2025”.



## **PART 4**

### COMMENCEMENT AND TRANSITIONAL PROVISION

#### *Commencement*

- 67      The amendments made by this Schedule and section 1 have effect for the tax year 2024-25 and subsequent tax years.

#### *Transitional provision*

- 68      TBC