

(Draft) Taxation of Pensions Bill

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Make provision in connection with the taxation of pensions.

1 Provision for pension flexibility etc

The Schedule has effect. In the Schedule—

Part 1 contains provision about flexibly accessing certain drawdown funds,

Part 2 contains provision about removing certain restrictions relating to annuities to which individuals become entitled on or after 6 April 2015,

Part 3 contains provision about authorising one-off pension payments not made through a drawdown fund,

Part 4 contains provision about changing the annual allowance charge, in cases where an individual has flexibly accessed pension rights, on inputs in respect of money purchase arrangements (and some hybrid arrangements) so far as they exceed £10,000 in a tax year, and

Part 5 contains further provision in connection with the taxation of pensions.

2 Citation, interpretation and consequential amendments

(1) This Act may be cited as the Taxation of Pensions Act 2014.

(2) In this Act—

(a) “FA” followed by a year, means the Finance Act of that year, and

“ITEPA 2003” means the Income Tax (Earnings and Pensions) Act 2003.

(3) The Commissioners for Her Majesty’s Customs and Excise may by regulations make such amendments of Part 4 of FA 2004, or Part 9 of ITEPA 2003, as the Commissioners consider appropriate in consequence of this Act.

(4) For the purposes of section 282 of FA 2004 and section 1014 of the Income Tax Act 2007 (orders and regulations), the power under subsection (3) of this section is treated as a power under Part 4 of FA 2004 (so that section 282, and not section 1014, applies in relation to regulations made under subsection (3)).

SCHEDULE

Section 1

PENSION FLEXIBILITY ETC

PART 1

DRAWDOWN PENSIONS

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

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

Flexi-access drawdown funds

- 3 In Schedule 28 to FA 2004 after paragraph 8 insert –

“Member’s flexi-access drawdown fund

- 8A (1) For the purposes of this Part the member’s flexi-access drawdown fund in respect of an arrangement consists of such of the sums or assets held for the purposes of the arrangement as are newly-designated funds.

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

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

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

- 8C (1) Sub-paragraph (2) applies if –

- (a) a member's drawdown pension fund in respect of an arrangement came into being before 6 April 2015,
- (b) section 165(3A) did not apply to the arrangement immediately before 6 April 2015, and
- (c) the member notifies the scheme administrator that the member wishes the fund to become the member's flexi-access drawdown fund in respect of the arrangement.

(2) At—

- (a) the time the scheme administrator accepts the notification or
 - (b) the start of 6 April 2015 if that is later,
- the sums and assets that then make up that fund become the newly-designated funds, if they have not previously done so by the operation of paragraph 8B.”

4 In Schedule 28 to FA 2004 after paragraph 22 insert—

“Dependant's flexi-access drawdown fund

22A (1) For the purposes of this Part a dependant's flexi-access drawdown fund in respect of an arrangement consists of such of the sums or assets held for the purposes of the arrangement as are newly-designated dependant funds.

(2) For the purposes of this Part sums or assets held for the purposes of an arrangement are newly-designated dependant funds if—

- (a) they—
 - (i) have, at any time on or after 6 April 2015, been designated under the arrangement as available for the payment of dependants' drawdown pension, and
 - (ii) are not dependant-designated funds, or
- (b) they were dependant-designated funds immediately before 6 April 2015 and section 167(2A) applied to the arrangement at that time, or
- (c) they have become newly-designated dependant funds by the operation of paragraph 22B or 22C, or
- (d) they arise, or (directly or indirectly) derive, from newly-designated dependant funds under paragraph (a), (b) or (c) or from sums or assets which so arise or derive.

(3) Any sums or assets that become newly-designated dependant funds under sub-paragraph (2)(b) cease to be dependant-designated funds as from the start of 6 April 2015.

Conversion of certain dependants' drawdown funds into flexi-access drawdown funds

22B (1) Sub-paragraph (2) applies if—

- (a) a dependant's drawdown pension fund in respect of an arrangement came into being before 6 April 2015,
- (b) section 167(2A) did not apply to the arrangement immediately before 6 April 2015, and
- (c) at a time on or after 6 April 2015, a payment—

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- (i) of dependants' income withdrawal from the fund, or
- (ii) of a dependants' short-term annuity purchased using sums or assets out of the fund,
- is made that (apart from sub-paragraph (2)) would breach the cap.
- (2) The sums and assets that make up the fund immediately before the payment is made become newly-designated dependant funds immediately before the payment is made (so that the payments made out of the dependant's flexi-access drawdown fund in respect of the arrangement and therefore is not part of the total capped by pension death benefit rule 4).
- (3) For the purposes of sub-paragraph (1)(c), a payment of dependants' drawdown pension in respect of an arrangement is one that would breach the cap if, when its amount is added to the amounts of any dependants' drawdown pension in respect of the arrangement –
- (a) paid –
- (i) before it is made, but
- (ii) in the same drawdown pension year in respect of the arrangement of
- (b) paid at the time it is made
- the total is greater than the cap set by pension death benefit rule 4 for that drawdown pension year.
- 22C (1) Sub-paragraph (2) applies if –
- (a) a dependant's drawdown pension fund in respect of an arrangement came into being before 6 April 2015,
- (b) section 167(2A) did not apply to the arrangement immediately before 6 April 2015, and
- (c) the dependant notifies the scheme administrator that the dependant wishes the fund to become the dependant's flexi-access drawdown fund in respect of the arrangement.
- (2) At –
- (a) the time the scheme administrator accepts the notification, or
- (b) the start of 6 April 2015 if that is later,
- the sums and assets that then make up that fund become newly-designated dependant funds, if they have not previously done so by the operation of paragraph 22B.”

Further drawdown amendments

- 5 FA 2004 is amended as follows.
- 6 In section 167(1) (the pension death benefit rules) in pension death benefit rule 4 (annual cap on dependants' drawdown pension) after “in each drawdown pension year” insert “from, or under a dependants' short-term annuity purchased using sums or assets out of, the dependant's drawdown pension fund”.
- 7 In section 168(1), in the lump sum death benefit rule, after paragraph (e)

- insert –
- “(ea) a flexi-access drawdown fund lump sum death benefit.”
- 8 In section 169(1D) (regulations about transfers of drawdown funds) after paragraph (a) insert “or
- (aa) a member’s flexi-access drawdown fund or dependant’s flexi-access drawdown fund.”
- 9 In section 172B(2) (rights of a “relevant member”) –
- (a) omit the “or” at the end of paragraph (aa), and
- (b) after paragraph (b) insert “, or
- (c) rights representing the member’s flexi-access drawdown fund or dependant’s flexi-access drawdown fund in respect of an arrangement under the pension scheme.”
- 10 In section 172B(7A) (section does not apply to certain increases in rights) after “dependant’s drawdown pension fund” (in both places) insert “or dependant’s flexi-access drawdown fund”.
- 11 In section 182(3) (value of arrangement for purposes of borrowing limits) –
- (a) after paragraph (a) insert –
- “(aa) the amount of such of the sums and the market value of such of the assets as represent the member’s flexi-access drawdown fund (if any),” and
- (b) in paragraph (b) after “dependants’ drawdown pension funds” insert “or dependants’ flexi-access drawdown funds”.
- 12 In section 182(5) (determining whether rights are uncrystallised) after “the person’s drawdown pension fund” insert “or the person’s flexi-access drawdown fund”.
- 13 In section 206(1) (payments which trigger special lump sum death benefits charge) –
- (a) omit the “or” at the end of paragraph (b), and
- (b) after paragraph (c) insert “or
- (d) a flexi-access drawdown fund lump sum death benefit.”
- 14 In section 211(1) (value of crystallised rights for purposes of section 210) after paragraph (b) insert “, and
- (c) the aggregate of the amount of the sums, and the market value of the assets, representing the member’s flexi-access drawdown fund in respect of the arrangement on that date (if any).”
- 15 In section 212(2) (rights which are not uncrystallised) after “the member’s drawdown pension fund” insert “or the member’s flexi-access drawdown fund”.
- 16 In section 216(1) (benefit crystallisation events and amounts crystallised), in column 2 of the entry in the table for benefit crystallisation event 5A, after “representing the individual’s drawdown pension fund under the arrangement” insert “(if any), plus the aggregate of the amount of the sums and the market value of the assets representing the individual’s flexi-access drawdown fund under the arrangement (if any).”

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- 17 In section 273A(1) (regulations about certain payments by insurance companies) –
- (a) omit the “or” at the end of paragraph (b), and
 - (b) after paragraph (c) insert “or
 - (d) a flexi-access drawdown fund lump sum death benefit,”.
- 18 In section 280(2) (index of defined expressions) at the appropriate places insert –
- “dependant’s flexi-access drawdown fund paragraph 22A of Schedule 28”
- “flexi-access drawdown fund lump sum death benefit paragraph 17A of Schedule 28”
- “member’s flexi-access drawdown fund paragraph 8A of Schedule 28”
- 19 In paragraph 7 of Schedule 28 (meaning of “income withdrawal”) at the end insert “or from the member’s flexi-access drawdown fund in respect of an arrangement”.
- 20 In paragraph 21 of Schedule 28 (meaning of “dependants’ income withdrawal”) at the end insert “or from the dependant’s flexi-access drawdown fund in respect of an arrangement”.
- 21 In paragraph 22(2) of Schedule 28 (meaning of “dependant’s drawdown pension fund”: funds designated as available for dependants’ drawdown pension) –
- (a) in the opening word omit “they”,
 - (b) in paragraph (a) for “have been designated at any time” substitute “they have, at any time before 6 April 2015, been designated”,
 - (c) before the – at the end of paragraph (a) insert –
 - “(aa) they have, at any time on or after 6 April 2015, been designated under the arrangement as available for the payment of dependants’ drawdown pension to the dependant, and –
 - (i) sums or assets held for the purposes of the arrangement have, at any time before 6 April 2015, been designated under the arrangement as so available, and
 - (ii) section 167(2A) did not apply to the arrangement immediately before 6 April 2015,” and
 - (d) in paragraph (b) –
 - (i) at the beginning insert “they”, and
 - (ii) for “sums or assets which have been so designated or” substitute “dependant-designated funds under paragraph (a) or (aa) or from sums or assets”.

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- 22 In paragraph 3(5)(a) and (8)(a) of Schedule 29 (deductions when calculating “applicable amount”) after “of the member’s drawdown pension fund” insert “or of the member’s flexi-access drawdown fund”.
- 23 In paragraph 17 of Schedule 29 (meaning of “drawdown pension fund lump sum death benefit”) –
- (a) in sub-paragraph (1)(a) for “under” substitute “to be paid from the member’s drawdown pension fund in respect of”, and
 - (b) in sub-paragraph (2)(c) after “at the date of the dependant’s death” insert “to be paid from the dependant’s drawdown pension fund”.
- 24 In Schedule 29 after paragraph 17 insert –

“Flexi-access drawdown fund lump sum death benefit

- 17A (1) For the purposes of this Part a lump sum death benefit is a flexi-access drawdown fund lump sum death benefit –
- (a) it is paid in respect of income withdrawal to which the member was entitled to be paid from the member’s flexi-access drawdown fund in respect of an arrangement at the date of the member’s death, and
 - (b) it is not a charity lump sum death benefit.
- (2) A lump sum death benefit is not a flexi-access drawdown fund lump sum death benefit if –
- (a) it is paid on the death of a dependant of the member,
 - (b) it is paid in respect of dependant’s income withdrawal to which the dependant was at the date of the dependant’s death entitled to be paid from the dependant’s flexi-access drawdown fund in respect of an arrangement relating to the member, and
 - (c) it is not a charity lump sum death benefit.
- (3) But if the amount of a lump sum falling within sub-paragraph (1) or (2) exceeds the permitted maximum, the excess is not a flexi-access drawdown fund lump sum death benefit.
- (4) The permitted maximum is the aggregate of –
- (a) the amount of the sums, and
 - (b) the market value of the assets,
- representing the member’s or dependant’s flexi-access drawdown fund in respect of the arrangement immediately before the payment is made.”

- 25 In paragraph 18 of Schedule 29 (meaning of “charity lump sum death benefit”) –
- (a) in sub-paragraph (1)(c) after “in respect of an arrangement” insert “, or in respect of the member’s flexi-access drawdown fund in respect of an arrangement,”,
 - (b) in sub-paragraph (2)(d) after “dependant’s drawdown pension fund” insert “, or the dependant’s flexi-access drawdown fund,”, and
 - (c) in sub-paragraph (4) after “drawdown pension fund” insert “, or flexi-access drawdown fund,”.

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- 26 In paragraph 4(1) of Schedule 32 (supplementary provision about benefit crystallisation event 4) at the end insert “or flexi-access drawdown fund”.
- 27 In paragraph 17(2) of Schedule 32 (supplementary provision about benefit crystallisation event 8) after “the individual’s drawdown pension fund” insert “or flexi-access drawdown fund”.
- 28 (1) In paragraph 20(4) of Schedule 36 (lifetime allowance: deemed crystallisation: value of rights to pre-5 April 2006 drawdown pensions) as amended by Part 6 of this Schedule –
- (a) in paragraph (b) (arrangements where section 165(3A) of FA 2004 applies) for “applies” substitute “applied at any time before 6 April 2015”, and
 - (b) after paragraph (b) insert “, or
 - (c) in the case of an arrangement to which section 165(3A) never applied but only if the time falls after the member’s drawdown pension fund in respect of the arrangement is converted into the member’s flexi-access drawdown fund in respect of the arrangement by the operation of paragraph 8B or 8C of Schedule 28, 80% of the maximum amount that could have been paid in accordance with pension rule 5 in the drawdown pension year in which the conversion occurs had no conversions happened in that year by the operation of either of paragraphs 8B and 8C of Schedule 28.”
- (2) The amendments made by sub-paragraph (1) come into force on 6 April 2015.
- 29 In paragraph 29(3) of Schedule 36 (modifications of paragraph 3 of Schedule 29 for cases involving protected lump sum rights), in the sub-paragraph (5)(a) treated as substituted in paragraph 3 of Schedule 29, after “member’s drawdown pension fund” insert “or flexi-access drawdown fund”.

Related amendment in Part 9 of ITEPA 2003

- 30 In section 636A of ITEPA 2003 (taxation of pension lump sums) –
- (a) in subsection (4) (lumps sum taxable under section 206 of FA 2004 but not otherwise) omit the “or” at the end of paragraph (b), and after paragraph (c) insert “or
 - (d) a flexi-access drawdown fund lump sum death benefit”, and
 - (b) in subsection (7) (definitions) after ““drawdown pension fund lump sum death benefit”,” insert –
““flexi-access drawdown fund lump sum death benefit”,”.

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

- 31 (1) In FA 2004 omit –
- (a) in section 165(1), in pension rule 5, the second sentence,
 - (b) section 165(3A) and (3B),
 - (c) in section 167(1), in pension death benefit rule 4, the second sentence,
 - (d) section 167(2A) and (2B),

- (e) in Schedule 28 –
 - (i) paragraph 10(11),
 - (ii) paragraph 10A(11),
 - (iii) paragraphs 14A to 14E,
 - (iv) paragraph 24(11),
 - (v) paragraph 24A(9), and
 - (vi) paragraphs 24C to 24G, and
 - (f) in Schedule 34, paragraph 4A.
- (2) In consequence of sub-paragraph (1), in Schedule 16 to FA 2011 omit paragraphs 1(3), 8(12), 10, 11(3), 18(12), 20 and 81(3).
- (3) The amendments made by sub-paragraphs (1) and (2) come into force on 6 April 2015.

PART 2

ANNUITIES

Reduction of restrictions on new annuities

32 Schedule 28 to FA 2004 (registered pension schemes) is amended as follows.

33 In paragraph 3 (definition of member's lifetime annuity) after sub-paragraph (1) insert –

“(1A) For the purposes of this Part an annuity payable to the member is also a lifetime annuity if –

- (a) it is payable by an insurance company,
- (b) the member becomes entitled to it on or after 6 April 2015, and
- (c) it is payable until the member's death or until the later of the member's death and the end of a term certain.”

34 In paragraph 6 (definition of member's short-term annuity) after sub-paragraph (1) insert –

“(1ZA) For the purposes of this Part an annuity payable to the member is also a short-term annuity if –

- (a) it is purchased by the application of sums or assets representing the whole or any part of the member's drawdown pension fund, or of the member's flexi-access drawdown fund, in respect of an arrangement,
- (b) it is payable by an insurance company,
- (c) the member becomes entitled to it on or after 6 April 2015, and
- (d) it is payable for a term which does not exceed five years.”

35 In paragraph 17 (definition of dependants' annuity) after sub-paragraph (1) insert –

“(1ZA) For the purposes of this Part an annuity payable to a dependant is also a dependants' annuity if –

- (a) either –

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- (i) it is purchased together with a lifetime annuity payable to the member and the member becomes entitled to that lifetime annuity on or after 6 April 2015, or
- (ii) it is purchased after the member's death and the dependant becomes entitled to it on or after 6 April 2015,
- (b) it is payable by an insurance company,
- (c) where the dependant is not the member's child, it is payable until the dependant's death or until the earliest of the dependant's marrying, entering into a civil partnership or dying, and
- (d) where the dependant is the member's child, it is payable until the earlier of the dependant's ceasing to be a dependant or dying, or until the earliest of the dependant's marrying, entering into a civil partnership, ceasing to be a dependant or dying."

36 In paragraph 20 (definition of dependants' short-term annuity) after subparagraph (1) insert –

“(1ZA) For the purposes of this Part an annuity payable to a dependant is also a dependants' short-term annuity if –

- (a) it is purchased by the application of sums or assets representing the whole or any part of the dependant's drawdown pension fund, or of the dependant's flexi-access drawdown fund, in respect of an arrangement,
- (b) it is payable by an insurance company,
- (c) the dependant becomes entitled to it on or after 6 April 2015, and
- (d) it is payable for a term which does not exceed five years and ends before the dependant dies.”

Further annuities amendments

37 In section 165(4) of FA 2004 (the pension rules) in pension rule 2 (death of a member) –

- (a) in the first sentence after “an annuity,” insert “and if in the case of an annuity that day was before 6 April 2015,”,
- (b) after that sentence insert –

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

- (c) in the final sentence for “But no other” substitute “Except as provided by the preceding provisions of this rule, no”.

38 Schedule 28 to FA 2004 (registered pension schemes) is further amended as follows.

39 In paragraph 3(1) (definition of member's lifetime annuity) after paragraph (b) insert –

- “(ba) the member becomes entitled to it before 6 April 2015.”.

- 40 In paragraph 6(1) (definition of member’s short-term annuity) after paragraph (c) insert –
“(ca) the member becomes entitled to it before 6 April 2015,”.
- 41 In paragraph 17(1) (definition of dependants’ annuity) for paragraph (za) substitute –
“(za) either –
(i) it is purchased together with a lifetime annuity payable to the member and the member becomes entitled to that lifetime annuity before 6 April 2015 or
(ii) it is purchased after the member’s death and the dependant becomes entitled to it before 6 April 2015,”.
- 42 In paragraph 17(1A) for “sub-paragraph (1)(za)” substitute “sub-paragraphs (1)(za) and (1ZA)(a)”.
- 43 In paragraph 20(1) (definition of dependants’ short-term annuity) after paragraph (c) insert –
“(ca) the dependant becomes entitled to it before 6 April 2015,”.

Consequential amendment

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

PART 3

PENSION PAYMENTS OUT OF UNCRYSTALLISED FUNDS

Definitions etc

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

paragraph 4 insert –

“Uncrystallised funds pension lump sum

4A (1) For the purposes of this Part a lump sum is an uncrystallised funds pension lump sum if –

- (a) it is paid on or after 6 April 2015 in respect of a money purchase arrangement,
- (b) it is paid when all or part of the member’s lifetime allowance is available,
- (c) it is paid when the member has reached normal minimum pension age (or the ill-health condition is satisfied),
- (d) the member becomes entitled to it not later than when it is paid,
- (e) immediately before it is paid, the sums or assets that are to be used to provide it represent rights of the member under the scheme that are uncrystallised rights as defined by section 212(1) and (2), and
- (f) none of sub-paragraphs (3) to (5) applies to the member.

(2) But if a lump sum falling within sub-paragraph (1) –

- (a) is paid when the member has not reached the age of 75, and
- (b) exceeds the member’s available lifetime allowance, the excess is not an uncrystallised funds pension lump sum.

(3) This sub-paragraph applies to the member if –

- (a) paragraph 12 of Schedule 36 applies to the member (enhanced protection from 6 April 2006) immediately before the sum is paid, and
- (b) the lump sum condition (see paragraphs 24(2) and (3), 25 and 26 of Schedule 36) is met in relation to the member.

(4) This sub-paragraph applies to the member if –

- (a) paragraph 7 of Schedule 36 makes provision for the operation of a lifetime allowance enhancement factor in relation to the member immediately before the sum is paid, and
- (b) the lump sum condition (see paragraphs 24(2) and (3), 25 and 26 of Schedule 36) is met in relation to the member.

(5) This sub-paragraph applies to the member if –

- (a) any of the provisions listed in sub-paragraph (6) makes provision for the operation of a lifetime allowance enhancement factor in relation to the member immediately before the sum is paid, and
- (b) immediately before the sum is paid, the available portion of the member’s lump sum allowance for the purposes of paragraph 2 of Schedule 29 is nil or less than 25% of the sum.

(6) The listed provisions are –

- (a) paragraph 7 of Schedule 36 (primary protection);

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- (b) section 220 (pension credits from previously crystallised rights);
 - (c) section 221 (non-residence arrangements);
 - (d) section 224 (transfers from recognised overseas pensions schemes);
 - (e) paragraph 18 of Schedule 36 (pre-commencement pension credits).”
- 50 In paragraph 12(2)(b) of Schedule 29 (conditions for treating the whole of the lump sum as paid when all or part of the member’s lifetime allowance is available) after “4(1),” insert “4A(1),”.
- 51 In paragraph 12(4) of Schedule 29 (exceptions to treating the whole of the lump sum as paid when all or part of the member’s lifetime allowance is available) before the “and” at the end of paragraph (a) insert –
- “(aa) in the case of a lump sum that would satisfy all the requirements of paragraph 4A(1) and is paid when the member has not reached the age of 55, so much of it as would be prevented from being an uncrystallised funds pension lump sum by paragraph 4A(2).”.
- 52 In paragraph 12(5) of Schedule 29 (when an excess can be an authorised lump sum) after “1(2),” insert “4A(2),”.
- 53 In paragraph 15 of Schedule 32 (benefit crystallisation event 6: meaning of “relevant lump sum”) before the “or” at the end of paragraph (b) insert –
- “(ba) an uncrystallised funds pension lump sum,”.

Related amendments in Part 9 of ITEPA 2003

- 54 (1) Section 636A of ITEPA 2003 (taxation of pension lump sums) is amended as follows.
- (2) After subsection (1) insert –
- “(1A) In the case of an uncrystallised funds pension lump sum paid under a registered pension scheme when the member has not reached the age of 55 –
 - (a) no liability to income tax arises on 25% of the sum, and
 - (b) the other 75% of the sum is treated for the purposes of this Part as a pension to which section 579A applies.
- (3) In the case of an uncrystallised funds pension lump sum paid under a registered pension scheme when the member has reached the age of 75 –
- (a) if the member’s available lifetime allowance when the sum is paid is equal to or greater than the sum –
 - (i) no liability to income tax arises on 25% of the sum, and
 - (ii) the other 75% of the sum is treated for the purposes of this Part as a pension to which section 579A applies, and
 - (b) if the member’s available lifetime allowance when the sum is paid is less than the sum –

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

PART 4

ANNUAL ALLOWANCES

Basic structure of the annual allowance charge

- 55 (1) Section 227 of FA 2004 (pensions under registered pension schemes: annual allowance charge) is amended as follows
- (2) In subsection (1) (imposition of the charge) for the words from "where" to the end substitute "where an individual who is a member of one or more registered pension schemes has a chargeable amount for a tax year."
 - (3) After subsection (1) insert –
 "(1A) The chargeable amount (if any) is to be determined in accordance with section 227ZA."
 - (4) In subsection (4) (basic calculation of charge) for the words in the first sentence after "in respect of" substitute "the chargeable amount."
 - (5) In subsection (4A) (the appropriate rate) for "excess" (in each place) substitute "chargeable amount".
 - (6) In subsection (5) (excess is not income) for "That excess" substitute "The chargeable amount".
 - (7) In subsection (6) (further provision) –
 - (a) before the entry for section 228 insert –
 "sections 227ZA and 227B (chargeable amount),
 sections 227C to 227G (supplemental provision for calculations under section 227B),"
 - (b) in the entry for section 229, for "229" substitute "229(1)", and
 - (c) after that entry insert –
 "section 229(2) to (4) (how to arrive at the pension input amount in respect of an arrangement),"

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

56 (1) In FA 2004 after section 227 insert –

“227ZA The chargeable amount

- (1) The chargeable amount is the alternative chargeable amount (see section 227B) if –
 - (a) the year is –
 - (i) the tax year in which the individual first flexibly accesses pension rights (see section 227G), or
 - (ii) a tax year later than that tax year,
 - (b) the money-purchase input sub-total (see section 227C) exceeds £10,000, and
 - (c) the alternative chargeable amount exceeds the default chargeable amount.
- (2) Otherwise, the chargeable amount is the default chargeable amount.
- (3) The default chargeable amount is the amount (if any) by which –
 - (a) the total pension input amount calculated in accordance with section 229(1), exceeds
 - (b) the annual allowance for the year in the case of the individual (see sections 228(1) and 228A).”

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

Annual allowance charge where rights have been flexibly accessed

57 (1) In FA 2004 before section 227 insert –

“227B The alternative chargeable amount

- (1) The alternative chargeable amount is the total of –
 - (a) the amount (if any) by which the defined-benefit input sub-total exceeds the alternative annual allowance, and
 - (b) the amount by which the money-purchase input sub-total exceeds £10,000.
- (2) The alternative annual allowance is –
$$AA - £10,000$$
where AA is the annual allowance for the year in the case of the individual (see sections 228(1) and 228A).
- (3) The defined-benefit input sub-total is the total of –
 - (a) the pension input amounts in respect of each defined benefits arrangement relating to the individual under a registered pension scheme of which the individual is a member (see section 229(2)(c)),
 - (b) the pension input amounts in respect of each hybrid arrangement –
 - (i) relating to the individual under a registered pension scheme of which the individual is a member, and

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

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

227C Meaning of “money-purchase input sub-total”

- (1) The money-purchase input sub-total is the total of –
- (a) the pension input amounts in respect of each money purchase arrangement relating to the individual under a registered pension scheme of which the individual is a member (see section 229(2)(a) and (b)), and
 - (b) the pension input amounts in respect of each hybrid arrangement –
 - (i) relating to the individual under a registered pension scheme of which the individual is a member, and
 - (ii) in respect of which the pension input amount is input amount A or B mentioned in section 237.
- (2) Subsection (1) is to be read with –
- (a) section 227E(2) (pension input periods that end in the tax year but before the day on which rights are first flexibly accessed), and
 - (b) section 227F(2), (3) and (5) (pension input periods that end in the tax year and contain that day).
- (3) Subsection (1)(b) is to be read with –
- (a) section 227B(5) (hybrid arrangements where input amount C is highest-equal input amount), and
 - (b) section 227D (pension input amounts for certain hybrid arrangements).

227D Pension input amounts in respect of certain hybrid arrangements

- (1) In this section “relevant hybrid arrangement” means a hybrid arrangement –
 - (a) relating to the individual under a registered pension scheme of which the individual is a member,
 - (b) in respect of which the pension input amount is input amount C mentioned in section 237.
- (2) As respects each relevant hybrid arrangement in the maximising set of relevant hybrid arrangements –
 - (a) the pension input amount in respect of the arrangement is for the purposes of sections 227B(3)(b) and 227C(1)(b) treated as being not input amount C mentioned in section 237 but, instead, the greater of such of input amounts A and B mentioned in section 237 as are, for the purposes of section 237, relevant input amounts in the case of the arrangement, and
 - (b) accordingly, the arrangement –
 - (i) is not to be included among the arrangements mentioned in section 227B(3)(b) whose pension input amounts are totalled under section 227B(3), but
 - (ii) is to be included among the arrangements mentioned in section 227C(1)(b) whose pension input amounts are totalled under section 227C(1).
- (3) For the purposes of subsection (2) –
 - (a) the maximising set contains no relevant hybrid arrangements,
 - (b) a particular relevant hybrid arrangement makes up that set, or
 - (c) two or more particular relevant hybrid arrangements make up that set,if the alternative chargeable amount with the maximising set so made up is not less than it would be with the maximising set made up in any other way.
- (4) In particular, the maximising set may be identified by taking the following steps –
 - Step 1*
Identify all of the relevant hybrid arrangements.
 - Step 2*
Identify all of the different combinations of the arrangements identified at Step 1 (including the combination consisting of all of those arrangements, and the combination consisting of none of them, as well as every possible combination of each possible size in between).
 - Step 3*
For each combination identified at Step 2 calculate what the money-purchase input sub-total would be if each relevant hybrid arrangement in the combination were treated in accordance with the rules in paragraphs (a) and (b) of subsection (2).
 - Step 4*

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

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

Step 5

Identify the highest (or higher) of the amounts calculated at Step 4. The maximising set is made up of each relevant hybrid arrangement in the combination concerned.

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

227E Pension input periods ending before rights are first flexibly accessed

- (1) Subsections (2) and (3) apply if, for an arrangement mentioned in section 227C(1), the pension input period ending in the tax year is a period that ends before the individual first flexibly accesses pension rights.
- (2) The pension input amount in respect of the arrangement is for the purposes of section 227C(1) treated as being nil.
- (3) The (actual) pension input amount in respect of the arrangement (see section 229(2)(a), (b) or (d)) is required to be included in the defined-benefit input amount calculated under section 227B(3).

227F Pension input periods in which rights are first flexibly accessed

- (1) Subsections (2) to (6) apply if, for an arrangement mentioned in section 227C(1), the pension input period ending in the tax year contains the day on which the individual first flexibly accesses pension rights (whether or not that day is in the tax year).
- (2) If the arrangement is a cash balance arrangement, the pension input amount in respect of that arrangement is for the purposes of section 227C(1)(a) treated as being –

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

where –

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

F is the number of days in the period –

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

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

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

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227G When pension rights are first flexibly accessed

- (1) References in sections 227B to 227F to when the individual first flexibly accesses pension rights are to the time, or the earlier or earliest of the times, given for that by the following subsections.
- (2) If—
 - (a) the individual has a flexi-access drawdown pension fund in respect of an arrangement, and
 - (b) the fund came into being as a result of sums or assets being designated on or after 6 April 2015 as available for the payment of drawdown pension,
 the individual first flexibly accesses pension rights immediately before the first qualifying payment is made from the fund (see subsection (7)).
- (3) If section 165(3A) applied in the individual's case to an arrangement immediately before 6 April 2015, the individual first flexibly accesses pension rights at the start of 6 April 2015.
- (4) If—
 - (a) the individual has a member's drawdown pension fund in respect of an arrangement, and
 - (b) the sums and assets that make up the fund become newly-designated funds by the operation of paragraph 8B of Schedule 28,
 the individual first flexibly accesses pension rights immediately before the first qualifying payment (see subsection (7)) is made from the individual's member's flexi-access drawdown fund in respect of the arrangement (whether that is the payment that triggers the operation of paragraph 8B of Schedule 28 or a subsequent payment).
- (5) If—
 - (a) the individual has a member's drawdown pension fund in respect of an arrangement, and
 - (b) the sums and assets that make up the fund become newly-designated funds by the operation of paragraph 8C of Schedule 28,
 the individual first flexibly accesses pension rights immediately before the first qualifying payment is made from the individual's member's flexi-access drawdown fund in respect of the arrangement (see subsection (7)).
- (6) The individual first flexibly accesses pension rights immediately before the payment of the first uncrystallised funds pension lump sum paid to the individual.
- (7) In this section, a reference to a qualifying payment from a fund is a reference to—
 - (a) payment of income withdrawal from the fund, or
 - (b) payment of a short-term annuity purchased using sums or assets out of the fund,

but does not include payment at a time when the whole of the fund represents rights attributable to a disqualifying pension credit.

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- (8) In subsection (7) “disqualifying pension credit” is to be read in accordance with paragraph 2(3) and (4) of Schedule 29.”
- (2) The amendment made by sub-paragraph (1) has effect for the tax year 2015-16 and subsequent tax years.

Further amendments

- 58 In section 164(2) of FA 2004 (provision that may be made in regulations prescribing authorised payments) after paragraph (c) insert –
- “(ca) include provision having the effect that the making of a prescribed payment does not (directly or indirectly) result in an individual first flexibly accessing pension rights for the purposes of sections 227B to 227F.”
- 59 (1) Omit section 227A of FA 2004 (annual allowance charge: individuals who met flexible drawdown conditions).
- (2) In consequence of sub-paragraph (1) –
- (a) in section 227(4) of FA 2004, omit the second sentence, and
- (b) omit paragraph 45 of Schedule 16 to FA 2011.
- (3) The amendments made by sub-paragraphs (1) and (2) have effect for the tax year 2015-16 and subsequent tax years.
- 60 (1) In section 228A of FA 2004 (carry forward of unused annual allowance) after subsection (7) insert –
- “(8) If, for a tax year preceding the current tax year, the chargeable amount in the individual’s case was the alternative chargeable amount –
- (a) a reference in subsection (3)(a) or (b), (4)(b) or (6)(a) to the annual allowance for that preceding tax year is a reference to the alternative annual allowance for that preceding tax year (see section 227B(2)), and
- (b) a reference in subsection (3)(a) or (b), (4)(b) or (6)(a) to the total pension input amount in the case of the individual for that preceding tax year is a reference to the defined-benefit input sub-total in the case of the individual for that preceding tax year (see section 227B(3) to (5)).
- (2) Subsection (3) does not apply in relation to a tax year –
- (a) preceding the current tax year, and
- (b) ending not later than 5 April 2015,
- if, at any time in that preceding tax year, section 165(3A) or 167(2A) applied to an arrangement relating to the individual.”
- (2) The amendment made by this paragraph has effect where the current tax year is the tax year 2015-16 or a subsequent tax year.
- 61 In section 237B of FA 2004 (scheme administrator’s co-liability for individual’s annual allowance charge) after subsection (2) insert –
- “(2A) If the chargeable amount for the tax year in the individual’s case is the alternative chargeable amount, each of the following is treated as being a reference to the amount that the annual allowance charge for

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the tax year would be in the individual's case if the chargeable amount were the default chargeable amount –

- (a) the reference in subsection (1)(a) to the amount of the individual's liability to the annual allowance charge for the tax year, and
- (b) the reference in subsection (3) to the annual allowance charge arising in the case of the individual.”

- 62 (1) In article 25C of the Taxation of Pension Schemes (Transitional Provisions) Order 2006 (S.I. 2006/572) after paragraph (3) insert –

“(4) If –

- (a) a stand-alone lump sum is paid on or after 6 April 2015 to a member of a pension scheme in circumstances where article 25B(2) (circumstance A) applies, and
- (b) no previous stand-alone lump sum has been paid on or after that day to the member in those circumstances,

subsection (1) of section 227G of the 2004 Act (individual first flexibly accesses pension rights at earliest time given by the following subsections of that section) has effect as if there were a subsequent subsection of that section stating that the member first flexibly accesses pension rights immediately before the stand-alone lump sum is paid.”

- (2) The amendment made by sub-paragraph (1) is to be treated as having been made by the Treasury under the power to make orders conferred by section 283(2) of FA 2004.

PART 5

MISCELLANEOUS AMENDMENTS

Pension commencement lump sums

- 63 (1) In paragraph 3A(3) of Schedule 29 to FA 2004 (pension commencement lump sums: when pension scheme is to be treated as making an unauthorised payment) for the words “1% of the standard lifetime allowance on that day” substitute “£10,000”.

- (2) The amendment made by sub-paragraph (1) has effect in relation to pension commencement lump sums paid on or after 6 April 2015.

Trivial commutation lump sums and small pot lump sums

- 64 (1) In paragraph 7(1) of Schedule 29 to FA 2004 (meaning of “trivial commutation lump sum”) –

- (a) after paragraph (a) insert –

“(aa) it is paid in respect of a defined benefits arrangement,” and

- (b) in paragraph (e) (member must have reached 60) for “the age of 60” substitute “normal minimum pension age”.

- (2) The amendments made by sub-paragraph (1) have effect for commutation periods beginning on or after 6 April 2015 and do so irrespective of whether the nominated date is before, on or after 6 April 2015.

65 (1) In article 23C(4) of the Taxation of Pension Schemes (Transitional Provisions) Order 2006 (S.I. 2006/572) (modifications of Schedule 29 to FA 2004) in the inserted paragraph 7A(1)(b) (member must have reached age 60 for certain sums to be trivial commutation lump sums) for “the age of 60” substitute “normal minimum pension age”.

(2) The amendment made by sub-paragraph (1) –

- (a) has effect for determining whether a lump sum paid on or after 6 April 2015 is within the inserted paragraph 7A, and
- (b) is to be treated as having been made by the Treasury under the powers to make orders conferred by section 283(2) of FA 2004.

66 (1) The Registered Pension Schemes (Authorised Payments) Regulations 2009 (S.I. 2009/1171) are amended as follows.

(2) For regulation 10 substitute –

“10 Payments to members receiving annuities

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

(3) In each of regulations 11(1)(a), 11A(1)(a) and 12(1)(c) (member must have reached 60 for certain payments by registered pension scheme to be authorised payments) for “the age of 60” substitute “normal minimum pension age”.

(4) The amendments made by sub-paragraphs (2) and (3) –

- (a) have effect for payments made on or after 6 April 2015, and
- (b) are to be treated as having been made by the Commissioners for Her Majesty’s Revenue and Customs under the powers to make regulations conferred by section 164(1)(f) and (2) of FA 2004.

Trivial commutation lump sum death benefits

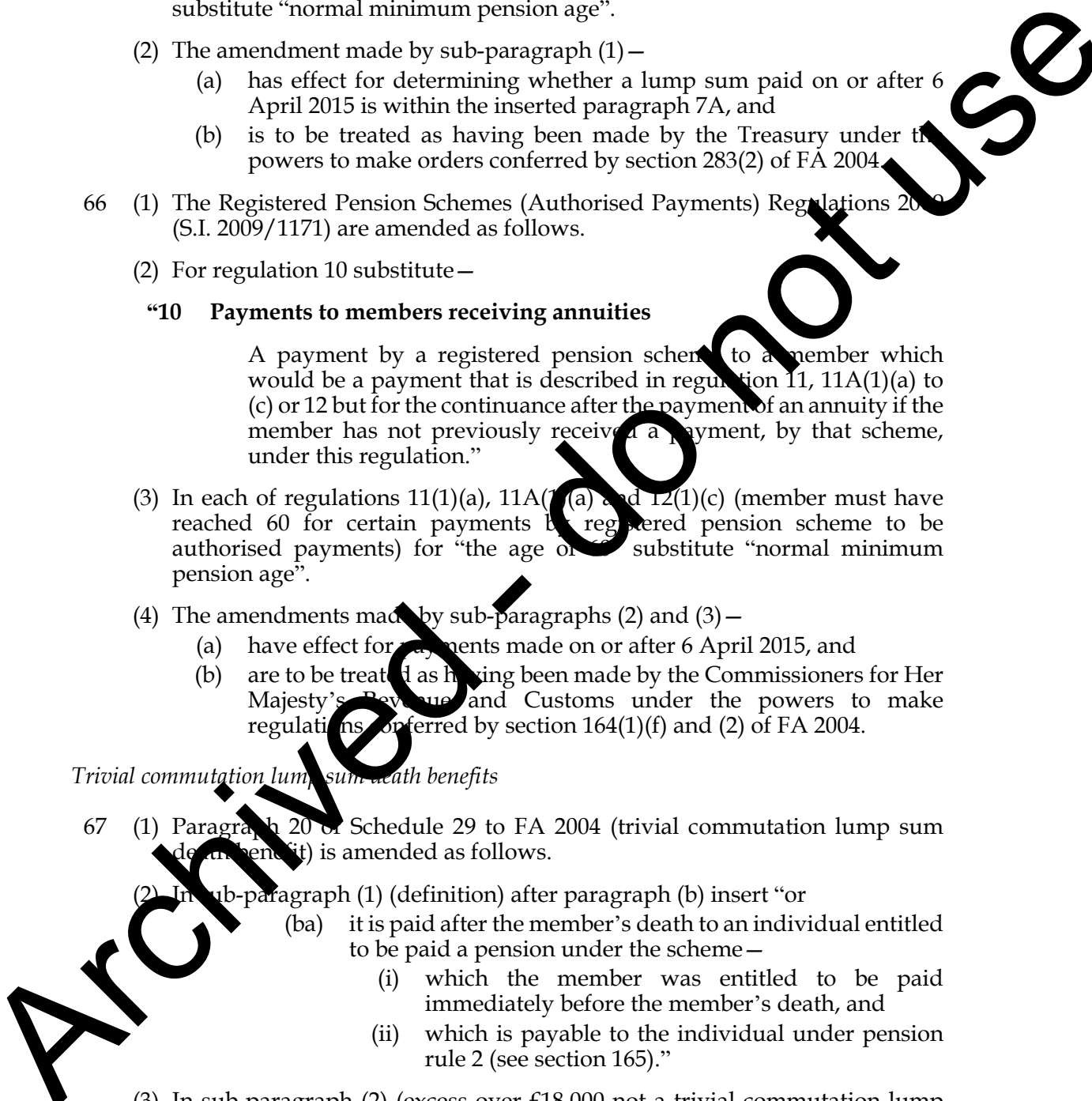
67 (1) Paragraph 20 of Schedule 29 to FA 2004 (trivial commutation lump sum death benefit) is amended as follows.

(2) In sub-paragraph (1) (definition) after paragraph (b) insert “or

- (ba) it is paid after the member’s death to an individual entitled to be paid a pension under the scheme –
 - (i) which the member was entitled to be paid immediately before the member’s death, and
 - (ii) which is payable to the individual under pension rule 2 (see section 165).”

(3) In sub-paragraph (2) (excess over £18,000 not a trivial commutation lump sum death benefit) for “£18,000” substitute “£30,000”.

(4) The amendments made by this paragraph have effect where the member dies after the day on which this Act is passed.



Winding-up lump sum death benefit

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

Early lifetime annuities

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

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

- 70 (1) In paragraph 20(4)(a) and (b) of Schedule 36 to FA 2004 (lifetime allowance: deemed crystallisation: value of rights to pre-5 April 2006 drawdown pensions) before “the maximum” insert “80% of”.
- (2) The amendments made by sub-paragraph (1) have effect where the benefit crystallisation event mentioned in the opening words of paragraph 20(2) of that Schedule occurs
- (a) after the day on which this Act is passed, and
- (b) in a drawdown pension year, in respect of the arrangement in respect of which the drawdown pension concerned is paid, that begins on or after 27 March 2014.

Power to make certain payments

71 In FA 2004 after section 273A insert –

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

- (1) Subsection (2) applies to a payment by a registered pension scheme to or in respect of a person who is or has been a member of the scheme if it is paid in respect of a money purchase arrangement and is –
 - (a) a payment of drawdown pension,
 - (b) paid to purchase a short-term annuity,
 - (c) a payment of dependants’ drawdown pension,
 - (d) paid to purchase a dependants’ short-term annuity, or
 - (e) an uncrystallised funds pension lump sum.
- (2) The trustees or managers of the scheme may make the payment despite any provision of the rules of the scheme (however framed) prohibiting the making of the payment.”

Temporary non-residence

72 ITEPA 2003 is amended as follows.

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

(2) In subsection (2) (relevant withdrawals treated as accruing in the year of return from temporary non-residence) at the end insert “, but only if the total amount of the relevant withdrawals within subsection (3) exceeds £100,000”.

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

“(4) A “relevant withdrawal” is –

- (a) any income withdrawal paid to the person from a member’s flexi-access drawdown fund in respect of an arrangement relating to the person under a registered pension scheme,
- (b) any dependants’ income withdrawal paid to the person from a dependant’s flexi-access drawdown fund in respect of an arrangement relating to the person under a registered pension scheme,
- (c) any payment to the person of a short-term annuity purchased using sums or assets out of a member’s flexi-access drawdown fund in respect of an arrangement relating to the person under a registered pension scheme,
- (d) any payment to the person of a dependants’ short-term annuity purchased using sums or assets out of a dependant’s flexi-access drawdown fund in respect of an arrangement relating to the person under a registered pension scheme,
- (e) any uncrystallised funds pension lump sum paid to the person in respect of an arrangement relating to the person under a registered pension scheme, but only so far as the sum is treated as a pension to which section 579A applies (see section 636A), or

- (f) any income withdrawal, or dependants' income withdrawal, paid before 6 April 2015 to the person under a registered pension scheme in respect of an arrangement relating to the person under the scheme which at the time of the payment was an arrangement to which section 165(3A) or 167(2A) of FA 2004 applied (flexible drawdown arrangements).
- (4A) For the purpose of determining whether the figure specified in subsection (2) is exceeded, any relevant withdrawal paid in a currency other than sterling is to be translated into sterling using the average exchange rate for the year ending with 31 March in the tax year in which the relevant withdrawal is paid."
- (4) In subsection (7) for the definition of "flexible drawdown arrangement" substitute—
- "“member’s flexi-access drawdown fund”, “short-term annuity”, “dependant’s flexi-access drawdown fund”, “dependants’ short-term annuity” and “uncrystallised funds pension lump sum” have the same meanings in Part 4 of FA 2004 (see paragraphs 6, 8A, 20 and 22 of Schedule 28, and paragraph 4A of Schedule 29, to FA 2004)”
- (5) The amendments made by this paragraph come into force on 6 April 2015.
- 74 (1) The version of section 579CA which has effect for the year of departure is the tax year 2012-13 or an earlier tax year (pensions under registered pension schemes: temporary non-residents) is amended as follows.
- (2) In subsection (1) —
- (a) for “income withdrawal or dependants’ income withdrawal under the registered pension scheme” substitute “relevant withdrawal paid to a person”,
 - (b) omit paragraph (a), and
 - (c) at the end insert “, but only if the total amount of the relevant withdrawals meeting those conditions exceeds £100,000”.
- (3) After subsection (3) insert —
- “(3A) “relevant withdrawal”, in relation to a person, is —
- (a) any income withdrawal paid to the person from a member’s flexi-access drawdown fund in respect of an arrangement relating to the person under a registered pension scheme,
 - (b) any dependants’ income withdrawal paid to the person from a dependant’s flexi-access drawdown fund in respect of an arrangement relating to the person under a registered pension scheme,
 - (c) any payment to the person of a short-term annuity purchased using sums or assets out of a member’s flexi-access drawdown fund in respect of an arrangement relating to the person under a registered pension scheme,
 - (d) any payment to the person of a dependants’ short-term annuity purchased using sums or assets out of a dependant’s flexi-access drawdown fund in respect of an arrangement relating to the person under a registered pension scheme,
 - (e) any uncrystallised funds pension lump sum paid to the person in respect of an arrangement relating to the person

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- under a registered pension scheme, but only so far as the sum is treated as a pension to which section 579A applies (see section 636A), or
- (f) any income withdrawal, or dependants' income withdrawal, paid before 6 April 2015 to the person under a registered pension scheme in respect of an arrangement relating to the person under the scheme which at the time of the payment was an arrangement to which section 165(3A) or 167(2A) of FA 2004 applied (flexible drawdown arrangements).
- (3B) For the purpose of determining whether the figure specified at the end of subsection (1) is exceeded, any relevant withdrawal paid in a currency other than sterling is to be translated into sterling using the average exchange rate for the year ending with 31 March in the tax year in which the relevant withdrawal is paid."
- (4) In subsection (4) for "income withdrawal or dependants' income" substitute "relevant".
- (5) In subsection (5) for the definition of "flexible drawdown arrangement" substitute –
- ““member’s flexi-access drawdown fund”, “short-term annuity”, “dependants’ flexi-access drawdown fund”, “dependants’ short-term annuity” and “uncrystallised funds pension lump sum” have the same meaning as in Part 4 of FA 2004 (see paragraphs 18A, 19 and 22A of Schedule 28, and paragraph 4A of Schedule 29, to FA 2004).”
- (6) The amendments made by this paragraph come into force on 6 April 2015.
- 75 (1) Section 576A as substituted by paragraph 116 of Schedule 45 to FA 2013 (pensions under relevant non-UK schemes: temporary non-residents) is amended as follows.
- (2) In subsection (1) (relevant withdrawals treated as accruing in the year of return from temporary non-residence) at the end insert “, but only if the total amount of the relevant withdrawals within subsection (3) exceeds £100,000”.
- (3) For subsection (4) (meaning of “relevant withdrawal”) substitute –
- “(4) A “relevant withdrawal” is an amount paid under a relevant non-UK scheme that –
- (a) is paid to the person in respect of an arrangement relating to the person under the scheme and would, if the scheme were a registered pension scheme, be income withdrawal (within the meaning of paragraph 7 of Schedule 28 to FA 2004) paid to the person from the person’s member’s flexi-access drawdown fund in respect of the arrangement,
- (b) is paid to the person in respect of an arrangement relating to the person under the scheme and would, if the scheme were a registered pension scheme, be dependants’ income withdrawal (within the meaning of paragraph 21 of Schedule 28 to FA 2004) paid to the person from the person’s dependant’s flexi-access drawdown fund in respect of the arrangement,
- (c) is a payment to the person of an annuity purchased using sums or assets held for the purposes of an arrangement

relating to the person under the scheme and would, if the scheme were a registered pension scheme, be a payment of a short-term annuity (within the meaning of paragraph 6 of Schedule 28 to FA 2004) purchased using sums or assets out of the person's member's flexi-access drawdown fund in respect of the arrangement,

- (d) is a payment to the person of an annuity purchased using sums or assets held for the purposes of an arrangement relating to the person under the scheme and would, if the scheme were a registered pension scheme, be a payment of dependants' short-term annuity (within the meaning of paragraph 20 of Schedule 28 to FA 2004) purchased using sums or assets out of the person's dependant's flexi-access drawdown fund in respect of the arrangement,
- (e) is so much of a payment made to the person in respect of an arrangement relating to the person under the scheme as would, if the scheme were a registered pension scheme, be treated by section 636A(1A) or (1B) (uncrystallised funds pension lump sums) as a pension to which section 579A applies, or
- (f) is paid before 6 April 2015 to the person in respect of an arrangement relating to the person under the scheme which at the time of the payment was an arrangement to which section 165(3A) or 167(2A) of FA 2004 (flexible drawdown arrangements) applied and would, if the scheme had been a registered pension scheme, have been income withdrawal or dependants' income withdrawal (within the meaning of paragraphs 7 and 21 of Schedule 28 to FA 2004).

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

(4B) A relevant withdrawal within subsection (4)(e) is, if it is within subsection (3), treated for the purposes of this Part as a pension to which section 573 applies."

(4) In subsection (9) for the definition of "flexible drawdown arrangement" substitute—

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

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

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

(2) In subsection (1) —

- (a) for “non-UK income withdrawal under a relevant non-UK scheme” substitute “withdrawal paid to a person”,
- (b) omit paragraph (a), and

- (c) at the end insert “, but only if the total amount of the relevant withdrawals meeting those conditions exceeds £100,000”.
- (3) In subsection (4) for “non-UK income withdrawal falling within subsection (1)” substitute “withdrawal that meets the conditions in subsection (1)(b) and (c)”.
- (4) After subsection (4) insert –
- “(4A) A “relevant withdrawal”, in relation to a person, is an amount paid under a relevant non-UK scheme that –
- (a) is paid to the person in respect of an arrangement relating to the person under the scheme and would, if the scheme were a registered pension scheme, be income withdrawal (within the meaning of paragraph 7 of Schedule 28 to FA 2004) paid to the person from the person’s member’s flexi-access drawdown fund in respect of the arrangement,
 - (b) is paid to the person in respect of an arrangement relating to the person under the scheme and would, if the scheme were a registered pension scheme, be dependants’ income withdrawal (within the meaning of paragraph 21 of Schedule 28 to FA 2004) paid to the person from the person’s dependant’s flexi-access drawdown fund in respect of the arrangement,
 - (c) is a payment to the person of an annuity purchased using sums or assets held for the purposes of an arrangement relating to the person under the scheme and would, if the scheme were a registered pension scheme, be a payment of a short-term annuity (within the meaning of paragraph 6 of Schedule 28 to FA 2004) purchased using sums or assets out of the person’s member’s flexi-access drawdown fund in respect of the arrangement,
 - (d) is a payment to the person of an annuity purchased using sums or assets held for the purposes of an arrangement relating to the person under the scheme and would, if the scheme were a registered pension scheme, be a payment of a dependants’ short-term annuity (within the meaning of paragraph 20 of Schedule 28 to FA 2004) purchased using sums or assets out of the person’s dependant’s flexi-access drawdown fund in respect of the arrangement,
 - (e) is so much of a payment made to the person in respect of an arrangement relating to the person under the scheme as would, if the scheme were a registered pension scheme, be treated by section 636A(1A) or (1B) (uncrystallised funds pension lump sums) as a pension to which section 579A applies, or
 - (f) is paid before 6 April 2015 to the person in respect of an arrangement relating to the person under the scheme which at the time of the payment was an arrangement to which section 165(3A) or 167(2A) of FA 2004 (flexible drawdown arrangements) applied and would, if the scheme were a registered pension scheme, be income withdrawal or dependants’ income withdrawal (within the meaning of paragraphs 7 and 21 of Schedule 28 to FA 2004).

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- (4B) For the purpose of determining whether the figure specified at the end of subsection (1) is exceeded, any relevant withdrawal paid in a currency other than sterling is to be translated into sterling using the average exchange rate for the year ending with 31 March in the tax year in which the relevant withdrawal is paid.
- (4C) A relevant withdrawal within subsection (4A)(e) is, if it meets the conditions in subsection (1)(b) and (c), treated for the purposes of this Part as a pension to which section 573 applies.”
- (5) In each of subsections (5) to (7) omit “non-UK income”.
- (6) In subsection (8) –
- (a) for the definition of “flexible drawdown arrangement” substitute –

““member’s flexi-access drawdown fund” and
 “dependant’s flexi-access drawdown fund” have the
 same meaning as in Part 4 of FA 2004 (see paragraphs
 8A and 22A of Schedule 28 to FA 2004)” and
 - (b) omit the definition of “relevant non-UK income withdrawal”.
- (7) The amendments made by this paragraph come into force on 6 April 2015.
- 77 In section 164(2) of FA 2004 (provision that may be made in regulations prescribing authorised payments) after the paragraph (ca) inserted by this Schedule insert –
- “(cb) include provision having the effect that the making of a prescribed payment is not a relevant withdrawal for the purposes of section 579CA of ITEPA 2003,
 - (cc) include provision having the effect that the making of a payment by a pension scheme that is not a registered pension scheme where the payment would be a prescribed payment if the scheme were a registered pension scheme, is not a relevant withdrawal for the purposes of section 576A of ITEPA 2003;”.

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