

Explanatory Note

Amendments 146-148 to Clause 19: Pensions: Standard lifetime allowance from 2016-17

Summary

1. These amendments ensure that when uncrystallised funds are designated for dependants' or nominees' flexi-access drawdown, following the death of a member before 6 April 2016, the benefit crystallisation event is tested against the standard lifetime allowance in force at the time of the member's death. The amendment is to be treated as having come into force on 6 April 2015, and has effect in relation to benefit crystallisation events occurring on or after that date.
2. These amendments also ensures that when the entitlement to a beneficiary's or dependent's annuity arises following the death of a member before 6 April 2016, the benefit crystallisation event is tested against the standard lifetime allowance in force at the time of the member's death. The change is to be treated as having come into force on 6 April 2016, and has effect in relation to benefit crystallisation events occurring on or after that date

Details of the amendment

3. Amendment 147 inserts new subsections into section 218 Finance Act 2004 (FA 2004). Section 218 specifies the amount of an individual's lifetime allowance including the amount of the standard lifetime allowance against which a benefit crystallisation event should be measured.
4. Subsection (4A) inserts new subsections (5F), (5G), (5H) and (5I) into section 218 FA 2004, setting out the amount of the standard lifetime allowance at benefit crystallisation events 5C and 5D. New subsections (5F) and (5G) are to be treated as coming into force on 6 April 2015 in relation to benefit crystallisation events occurring on or after that date and new subsections (5H) and (5I) are to be treated as coming into force on 6 April 2016 for benefit crystallisation events occurring on or after that date.

Background note

5. The level of the standard lifetime allowance is reduced to £1 million with effect from 6 April 2016. A number of consequential changes are being made to FA 2004 to ensure that, following this reduction, individuals are not unfairly impacted by the change. This amendment ensures that, where benefits are paid to beneficiaries after 6

April 2016, following the death of a member before 6 April 2016, the benefits are tested against the standard lifetime allowance in force at the time of the member's death.