

Amendments 17 and 18 to Clause 29 and Schedule 5: Pension schemes: collective money purchase benefits

Summary

1. These amendments make technical changes to ensure that clause 29 and Schedule 5 work as intended, in particular ensuring that periodic income paid by a collective money purchase pension scheme in the process of being wound up and governed by the law of Northern Ireland is taxed in the same way as a scheme pension.

Details of the amendments

2. Amendment 17 amends sub-paragraph 20(2) of the Schedule, which inserts new sub-paragraph (9) into paragraph 2 of Schedule 28 to Finance Act (FA) 2004. The amendment provides that where a payment of scheme pension under a collective money purchase arrangement is followed by a periodic income paid by virtue of section 87(7)(b) of the Pension Schemes Act (PSA) 2021 (Continuity option 1: discharge of liabilities and winding up), the periodic income is to be treated as the original scheme pension.
3. Amendment 18 amends sub-paragraph 20(2) of the Schedule, which inserts new sub-paragraph (10) into paragraph 2 of Schedule 28 to FA 2004. The amendment provides that where no scheme pension has been paid under a collective money purchase arrangement, periodic income paid by virtue of section 87(7)(b) of the PSA 2021 (Continuity option 1: discharge of liabilities and winding up) under that arrangement is to be treated as a scheme pension.

Background note

4. Clause 29 and Schedule 5 of Finance (No. 2) Bill as published on 11 March 2021 set out the tax treatment of collective money purchase benefits, a new type of benefit introduced by the Pension Schemes Act (PSA) 2021.
5. More specifically they enable pension schemes that provide collective money purchase benefits to operate as registered pension schemes, without creating unintended unauthorised payments charges.
6. These amendments apply to pension schemes governed by the law of Northern Ireland that provide collective money purchase benefits and are in the process of being wound up. They ensure that where these schemes pay a periodic income by virtue of Part 2 of the PSA 2021, the payment will be treated as a scheme pension for tax purposes.