Reducing the pensions tax annual and lifetime allowances

Who is likely to be affected?

Individuals whose UK tax relieved pension contributions are greater than £40,000 a year or whose total UK tax relieved pension savings are near to or more than £1.25 million.

Employers who contribute to registered pension schemes on behalf of their employees.

Scheme administrators of registered pension schemes and advisers with clients who have UK tax relieved pension savings.

General description of the measure

This measure will reduce the standard lifetime allowance to £1.25 million and the annual allowance to £40,000 for tax year 2014-15 onwards.

Policy objective

The measure supports the Government's objective of a system of pensions tax relief that is fair, affordable and sustainable. The reduction to both lifetime and annual allowances is an integral part of the Government's deficit reduction plans, protects the public finances from the growing cost of the relief and limits the amount of relief going to higher earners.

Background to the measure

At the Autumn Statement 2012, the Government announced that it will reduce the lifetime allowance from £1.5 million to £1.25 million and the annual allowance from £50,000 to £40,000 for the 2014-15 tax year.

The Government also announced that a fixed protection regime will be offered to individuals to prevent retrospective tax charges arising as a result of the reduction in the lifetime allowance.

In addition to fixed protection, the Government also wishes to offer a personalised protection regime for individuals and will discuss the feasibility of this with interested parties in the coming months.

Detailed proposal

Operative date

The reduction in the standard lifetime allowance and the annual allowance will have effect for tax year 2014-15 onwards.

Current law

The current pensions tax rules for registered pension schemes came into force on 6 April 2006 (A-day) and are set out in Part 4 of the Finance Act 2004 (FA 2004).

Although there are no limits to how much can be saved in registered pension schemes, there is an overall limit on the total amount of an individual's tax-relieved annual pension savings, including employer contributions, known as the annual allowance (sections 227 to 238A of FA 2004). The annual allowance is £50,000 for the tax year 2011-12 onwards. Unused annual allowance from the three previous tax years for the individual can be carried forward and added to the annual allowance. If the individuals' pension savings for the tax year exceed this total, the annual allowance charge is applied to the excess. The annual allowance charge is linked to the individual's marginal rate of tax.

There is also an overall limit, known as the lifetime allowance, on the total amount of tax relieved pension savings that an individual can have over their lifetime. The standard lifetime allowance is £1.5 million for the tax year 2012-13 onwards.

Tax relief on any pension benefits taken over the lifetime allowance is recovered by the application of the lifetime allowance tax charge to the excess. The rate of the lifetime allowance charge is 25 per cent if the excess is taken as a pension or 55 per cent if it is taken as a lump sum (sections 214 to 226 of FA 2004).

The lifetime allowance also applies to any savings individuals have built up with UK tax relief where they are a relieved member of a relieved non-UK pension scheme (paragraphs 13 to 19 of Schedule 34 to FA 2004).

Proposed revisions

Legislation will be introduced in Finance Bill 2013 to reduce the annual allowance to £40,000 and the standard lifetime allowance to £1.25 million for tax years 2014-15 onwards.

Legislation will also introduce a transitional protection regime (fixed protection 2014) for individuals with UK tax relieved pension rights of more than £1.25 million or who think they may have rights in excess of £1.25 million by the time they take their pension benefits. Individuals will need to notify HM Revenue & Customs (HMRC) by 5 April 2014 if they want to rely on fixed protection 2014. Individuals with fixed protection 2014 will be entitled to a personal lifetime allowance of the greater of £1.5 million and the standard lifetime allowance. The conditions for maintaining fixed protection 2014 will be that;

- individuals in defined contribution pension schemes must ensure that no further pension contributions are received by the scheme on or after 6 April 2014, and
- individuals in a defined benefits scheme must not accrue further benefits above a 'relevant percentage' from this date. The relevant percentage for savings will normally be either the annual rate specified in scheme rules as of 11 December 2012 for the revaluation of accrued rights, or CPI (if no rate is specified), although certain statutory increases will be excluded from the test.

Relieved members of relieved non-UK pension schemes will also be able to apply for fixed protection 2014 subject to their not having a pension input amount of greater than nil in the non-UK pension scheme in any tax year from 2014-15.

An amendment will also be made to ensure that, where an individual dies before 6 April 2014, but a relevant lump sum death benefit is paid on or after 6 April 2014, the relevant lump sum death benefit will be tested against the standard lifetime allowance at the time of the individual's death.

These changes will mainly be made through primary legislation although some will need to be made in secondary legislation.

The Government will also discuss with interested parties whether to offer, in addition to fixed protection 2014, a form of personalised protection which entitles individuals to a lifetime allowance of the greater of the value of their pension rights on 5 April 2014, up to an overall maximum of £1.5 million or the standard lifetime allowance. However unlike with fixed protection 2014, individuals with personalised protection would not be subject to any restrictions on future contributions or accruing further benefits.

Summary of impacts

<table>
<tr><td rowspan="3">Exchequer impact (£m)</td><td>2012-13</td><td>2013-14</td><td>2014-15</td><td>2015-16</td><td>2016-17</td><td>2017-18</td></tr>
<tr><td>+50</td><td>+200</td><td>+300</td><td>+600</td><td>+1000</td><td>+1125</td></tr>
<tr><td colspan="6">These figures are set out in Table 2.1 of the Autumn Statement and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside the Autumn Statement.</td></tr>
<tr><td>Economic impact</td><td colspan="6">The changes in pensions tax relief could lead to an increase in the tax paid by those affected. Some reduction of pension contributions is expected in response to the measure. It may affect individuals’ disposable income and their decision to supply labour. Macroeconomic impacts are expected to be small.</td></tr>
<tr><td>Impact on individuals and households</td><td colspan="6">Up to 140,000 individuals are expected to be affected by the reduction in the annual allowance. The reduction in the lifetime allowance could potentially affect around 360,000 individuals who could have pension wealth between the new and the old lifetime allowances in future years when they retire. Around 30,000 of these individuals are expected to have pension assets that are worth between £1.25 million and £1.5 million in 2014-15.</td></tr>
<tr><td>Equalities impacts</td><td colspan="6">HMRC’s data does not allow identification of groups sharing protected characteristics within the affected population. However the nature of the change means that those affected will be in higher income groups so they are less likely to be from ethnic minority groups, women or the disabled. The change will have a greater effect on those later in life and closer to retirement than those in other age groups. No other impacts are anticipated in respect of groups sharing other protected characteristics.</td></tr>
<tr><td>Impact on business including civil society organisations</td><td colspan="6">There will be some additional burdens for pension schemes and employers to provide information and guidance to individuals, and to update their systems to reflect the reduced lifetime allowance and reduced annual allowance.

Anticipated one-off burdens include: salary and pension adjustments, legal and consultation advice, providing valuations of pension pots, and training and familiarisation.

Anticipated ongoing burden increases arise from the need for pension schemes to send individuals their contribution values (and information for carry forward), dealing with scheme pays requests and lifetime allowance charges.

In total, HMRC anticipates one-off costs across employers and pension schemes of £80 million, and additional annual burden of £10 million/year:

<table>
<tr><td></td><td>Cost</td><td>Time Period (yrs)</td></tr>
<tr><td colspan="3">Compliance Costs</td></tr>
<tr><td>One-off Costs</td><td>£80m</td><td>N/A</td></tr>
<tr><td>Average Annual Costs</td><td>£10m</td><td>5</td></tr>
<tr><td>Total Costs (PV)</td><td>£120m</td><td>N/A</td></tr>
</table>
</td></tr>
</table>

	Compliance Benefits		
	One-off Benefit	N/A	N/A
	Average Annual Benefit	N/A	N/A
	Total Benefit (PV)	N/A	N/A
	Net Benefit (NPV)	-£120m	N/A
	Impact on Administrative Burden (included in Net Benefit)		
	Increase	**Decrease**	**Net Impact**
	£10m	£0	£10m
Operational impact (£m) (HMRC or other)	There will be additional costs for HMRC to administer and monitor the new protection regime and deal with enquiries from customers. These are estimated to be £1 million for IT changes and £6.4 million for staff resources over a five year period.		
Other impacts	Small firms impact test: the impact on small firms has been considered. The measure restricts the amount of UK tax relief available to individuals on their pension savings. The original policy was subject to a formal consultation in 2010 and was widely discussed with business, individuals and experts throughout the development process. The implementation of this further change, particularly around any tools, guidance or help that can be offered, will also be discussed over the next twelve months with interested parties. It would not be appropriate for the policy to apply differently according to the size of the firm within which the affected workers operate. Other impacts have been considered and none have been identified.		

Monitoring and evaluation

The measure will be kept under review through communication with affected taxpayer groups. HMRC will also monitor behavioural responses to the restriction of pensions tax relief.

Further advice

If you have any questions about the policy rationale for this change, please contact David Zentler-Munro on 020 7270 6222 (email: David.Zentler-Munro@hmtreasury.gsi.gov.uk). For questions on the draft legislation, please contact Paul Cottis on 03000 564209 or Jon Prothero on 0207 147 2785 (email: pensions.policy@hmrc.gsi.gov.uk).

1 Lifetime allowance charge: new standard lifetime allowance for the tax year 2014-15 and subsequent tax years

(1) Section 218 of FA 2004 (standard lifetime allowance etc) is amended as follows.

(2) For subsection (2) substitute—

"(2) The standard lifetime allowance for the tax year 2014-15 and, subject to subsection (3), subsequent tax years is £1,250,000."

(3) In subsection (3) for "the tax year 2012-13" substitute "the tax year 2014-15".

(4) After subsection (5C) insert—

"(5D) Where benefit crystallisation event 7 occurs on or after 6 April 2014 by reason of the payment of a relevant lump sum death benefit in respect of the death of the individual during the relevant period, the standard lifetime allowance at the time of the benefit crystallisation event is £1,500,000.

"The relevant period" means the period consisting of the tax year 2012-13 and the tax year 2013-14."

(5) The amendments made by the subsections above have effect for the tax year 2014-15 and subsequent tax years.

(6) Schedule 1 contains transitional provision.

2 Lifetime allowance charge: power to amend to the transitional provision in Part 2 of Schedule 18 to FA 2011 etc

(1) Part 2 of Schedule 18 to FA 2011 (lifetime allowance charge: commencement and transitional provision relating to changes made for the tax year 2012-13 and onwards) is amended as follows.

(2) In paragraph 14 omit sub-paragraphs (2) and (15) to (17) (which confer power on the HMRC Commissioners to make provision specifying how notices under paragraph 14 are to be given).

(3) After paragraph 14 insert—

"15 (1) The Commissioners for Her Majesty's Revenue and Customs may by regulations amend paragraph 14.

(2) Regulations under this paragraph may (for example) add to the cases in which paragraph 14 is to apply or is to cease to apply.

(3) Regulations under this paragraph may include provision having effect in relation to a time before the regulations are made; but—

(a) the time must be no earlier than 6 April 2012, and

(b) the provision must not increase any person's liability to tax.

(4) In relation to regulations under this paragraph made during 2013, sub-paragraph (3) has effect with the omission of paragraph (b) so long as the time in question is no earlier than 6 April 2013.

16 (1) The Commissioners for Her Majesty's Revenue and Customs may by regulations make provision specifying how any notice required to be given to an officer of Revenue and Customs under paragraph 14 is to be given.

(2) In sub-paragraph (1) the reference to paragraph 14 is to that paragraph as amended from time to time by regulations under paragraph 15.

17 (1) Regulations under paragraph 15 or 16 may include supplementary or incidental provision.

(2) The powers to make regulations under paragraphs 15 and 16 are exercisable by statutory instrument.

(3) A statutory instrument containing regulations under paragraph 15 or 16 is subject to annulment in pursuance of a resolution of the House of Commons."

(4) The Registered Pension Schemes (Lifetime Allowance Transitional Protection) Regulations 2011 (S.I. 2011/1752) are to continue to have effect and, so far as they were made under paragraph 14(2) and (15) of Schedule 18 to FA 2011, are to be treated as if they were made under paragraphs 16 and 17(1) of that Schedule (as inserted by subsection (3) above).

3 Annual allowance: new annual allowance for the tax year 2014-15 and subsequent tax years

(1) Section 228 of FA 2004 (annual allowance) is amended as follows.

(2) For subsection (1) substitute—

"(1) The annual allowance for the tax year 2014-15 and, subject to subsection (2), each subsequent tax year is £40,000."

(3) In subsection (2) for "2011-12" substitute "2014-15".

(4) The amendments made by this section have effect for the tax year 2014-15 and subsequent tax years.

SCHEDULES

SCHEDULE 1

Section 1

TRANSITIONAL PROVISION RELATING TO NEW STANDARD LIFETIME ALLOWANCE: "FIXED PROTECTION 2014"

1 (1) This paragraph applies on or after 6 April 2014 in the case of an individual—
(a) who, on that date, has one or more arrangements under—
(i) a registered pension scheme, or
(ii) a relieved non-UK pension scheme of which the individual is a relieved member,
(b) in relation to whom paragraph 7 of Schedule 36 to FA 2004 (primary protection) does not make provision for a lifetime allowance enhancement factor,
(c) in relation to whom paragraph 12 of that Schedule (enhanced protection) does not apply on that date, and
(d) in whose case paragraph 14 of Schedule 18 to FA 2011 (transitional provision relating to new standard lifetime allowance for the tax year 2012-13) does not apply on that date,

if notice of intention to rely on it is given to an officer of Revenue and Customs.

(2) Part 4 of FA 2004 has effect in relation to the individual as if the standard lifetime allowance were the greater of the standard lifetime allowance and £1,500,000.

(3) But this paragraph ceases to apply if on or after 6 April 2014—
(a) there is benefit accrual in relation to the individual under an arrangement under a registered pension scheme,
(b) there is an impermissible transfer into any arrangement under a registered pension scheme relating to the individual,
(c) a transfer of sums or assets held for the purposes of, or representing accrued rights under, any such arrangement is made that is not a permitted transfer, or
(d) an arrangement relating to the individual is made under a registered pension scheme otherwise than in permitted circumstances.

(4) For the purposes of sub-paragraph (3)(a) there is benefit accrual in relation to the individual under an arrangement—
(a) in the case of a money purchase arrangement that is not a cash balance arrangement, if a relevant contribution is paid under the arrangement on or after 6 April 2014,
(b) in the case of a cash balance arrangement or a defined benefits arrangement, if there is an increase in the value of the individual's

rights under the arrangement at any time on or after that date (but subject to sub-paragraphs (14) and (11)),

(c) in the case of a hybrid arrangement—

(i) where the benefits that may be provided to or in respect of the individual under the arrangement include money purchase benefits other than cash balance benefits, if a relevant contribution is paid under the arrangement on or after 6 April 2014, and

(ii) in any case, if there is an increase in the value of the individual's rights under the arrangement at any time on or after that date (but subject to sub-paragraphs (14) and (11)).

(5) For the purposes of sub-paragraphs (4)(b) and (c)(ii) and (11) to (17) whether there is an increase in the value of the individual's rights under the arrangement (and its amount if there is) is to be determined—

(a) in the case of a cash balance arrangement (or a hybrid arrangement under which cash balance benefits may be provided to or in respect of the individual under the arrangement), by reference to whether there is an increase in the amount that would, on the valuation assumptions, be available for the provision of benefits to or in respect of the member (and, if there is, the amount of the increase), and

(b) in the case of a defined benefits arrangement (or a hybrid arrangement under which defined benefits may be provided to or in respect of the individual under the arrangement), by reference to whether there is an increase in the benefits amount.

(6) For the purposes of sub-paragraph (5)(b) "the benefits amount" is—

$$(P \times RVF) + LS$$

where—

LS is the lump sum to which the individual would, on the valuation assumptions, be entitled under the arrangement (otherwise than by commutation of pension);

P is the annual rate of the pension which would, on the valuation assumptions, be payable to the individual under the arrangement;

RVF is the relevant valuation factor.

(7) Paragraph 17A of Schedule 36 to FA 2004 (impermissible transfers) applies for the purposes of sub-paragraph (3)(b) but as if the references to a relevant existing arrangement were to the arrangement and the reference in sub-paragraph (2) to 5 April 2006 were to 5 April 2014.

(8) Sub-paragraphs (7) to (8B) of paragraph 12 of Schedule 36 to FA 2004 (when there is a permitted transfer) apply for the purposes of sub-paragraph (3)(c); and where there is a permitted transfer—

(a) if it is a permitted transfer by virtue of sub-paragraph (8)(a) of paragraph 12, this paragraph applies in relation to the arrangement to which the transfer is made,

(b) if it is a permitted transfer by virtue of sub-paragraph (8)(b) of that paragraph, this paragraph applies in relation to the arrangement to which the transfer is made as if it were the same as that from which it is made, and

(c) if it is a permitted transfer by virtue of sub-paragraph (8)(c) of that paragraph, this paragraph applies in relation to the arrangement to which the transfer is made as if it were the same as that from which it is made and (if the employment is transferred) as if the employment with the transferee were the employment with the transferor.

(9) Sub-paragraphs (2A) to (2C) of paragraph 12 of Schedule 36 to FA 2004 ("permitted circumstances") apply for the purposes of sub-paragraph (3)(d).

(10) Paragraph 14 of Schedule 36 to FA 2004 (when a relevant contribution is paid under an arrangement) applies for the purposes of sub-paragraph (4)(a) and (c)(i).

(11) Increases in the value of the individual's rights under the arrangement are to be ignored for the purposes of sub-paragraph (4)(b) or (c)(ii) if in no tax year do they exceed the relevant percentage.

(12) The relevant percentage, in relation to a tax year, means—

(a) where the arrangement (or a predecessor arrangement) includes provision for the value of the rights of the individual to increase during the tax year at an annual rate specified in the rules of the pension scheme (or a predecessor registered pension scheme) on 11 December 2012—

(i) that percentage (or, where more than one arrangement includes such provision, the higher or highest of the percentages specified), plus

(ii) the relevant statutory increase percentage;

(b) otherwise—

(i) the percentage by which the consumer prices index for the month of September in the previous tax year is higher than it was for the September before that (or nil per cent if it is not higher), or

(ii) if higher, the relevant statutory increase percentage.

(13) In sub-paragraph (12)(a)—

"predecessor arrangement", in relation to an arrangement, means another arrangement (under the same or another registered pension scheme) from which some or all of the sums or assets held for the purposes of the arrangement directly or indirectly derive;

"predecessor registered pension scheme", in relation to a pension scheme, means another registered pension scheme from which some or all of the sums or assets held for the purposes of the arrangement under the pension scheme directly or indirectly derive.

(14) In sub-paragraph (12) "the relevant statutory increase percentage", in relation to a tax year, means the percentage increase in the value of the individual's rights under the arrangement during the tax year so far as it is attributable solely to—

(a) a revaluation in accordance with section 16 of the Pension Schemes Act 1993 or section 12 of the Pension Schemes (Northern Ireland) Act 1993 (early leavers: revaluation of earnings factors),

(b) a revaluation in accordance with Chapter 2 of Part 4 of the Pension Schemes Act 1993 or the Pension Schemes (Northern Ireland) Act 1993 (early leavers: revaluation of accrued benefits), or

(c) the application of section 67 of the Equality Act 2010 (sex equality rule for occupational pension schemes).

(15) Sub-paragraph (16) applies in relation to a tax year if—

(a) the arrangement is a defined benefits arrangement which is an annuity contract treated as a registered pension scheme under section 153(8) of FA 2004,

(b) the contract provides for the value of the rights of the individual to be increased during the tax year at an annual rate specified in the contract, and

(c) the contract limits the annual rate to the percentage increase in the retail prices index over a 12 month period specified in the contract.

(16) Sub-paragraph (12)(b)(i) applies as if it referred instead to the annual rate of the increase in the value of the rights during the tax year.

(17) For the purposes of sub-paragraph (15)(c) the 12 month period must end during the 12 month period preceding the month in which the increase in the value of the rights occurs.

(18) Subject to sub-paragraph (19), sub-paragraph (3) applies in relation to an individual who is a relieved member of a relieved non-UK pension scheme as if the relieved non-UK pension scheme were a registered pension scheme; and the other sub-paragraphs of this paragraph apply accordingly.

(19) For the purposes of sub-paragraph (3)(a) there is benefit accrual in relation to an individual under an arrangement under a relieved non-UK pension scheme if there is a pension input amount under sections 230 to 237 of FA 2004 (as applied by Schedule 34 to that Act) greater than nil in respect of the arrangement for any tax year.

This sub-paragraph applies instead of sub-paragraph (4).

(20) Expressions used in this paragraph and Part 4 of FA 2004 have the same meaning in this paragraph as in that Part.

(21) In particular, references to a relieved non-UK pension scheme or a relieved member of such a scheme are to be read in accordance with paragraphs 13(3) and (4) and 18 of Schedule 34 to FA 2004 (application of lifetime allowance charge provisions to members of overseas pension schemes).

2 (1) The Commissioners for Her Majesty's Revenue and Customs may by regulations amend paragraph 1.

(2) Regulations under this paragraph may (for example) add to the cases in which paragraph 1 is to apply or is to cease to apply.

(3) Regulations under this paragraph may include provision having effect in relation to a time before the regulations are made; but—

(a) the time must be no earlier than 6 April 2014, and

(b) the provision must not increase any person's liability to tax.

3 (1) The Commissioners for Her Majesty's Revenue and Customs may by regulations make provision specifying how any notice required to be given to an officer of Revenue and Customs under paragraph 1 is to be given.

(2) In sub-paragraph (1) the reference to paragraph 1 is to that paragraph as amended from time to time by regulations under paragraph 2.

4 (1) Regulations under paragraph 2 or 3 may include supplementary or incidental provision.

(2) The powers to make regulations under paragraphs 2 and 3 are exercisable by statutory instrument.

(3) A statutory instrument containing regulations under paragraph 2 or 3 is subject to annulment in pursuance of a resolution of the House of Commons.

EXPLANATORY NOTE

PENSIONS: LIFETIME ALLOWANCE AND ANNUAL ALLOWANCE

SUMMARY

1. Clause 1 amends Finance Act 2004, as it relates to the lifetime allowance for UK tax relieved pension savings which is lowered to £1,250,000 from 2014-15 onwards. The Schedule introduces transitional provisions to protect pension savers affected by this reduction in the lifetime allowance. Clause 2 amends Finance Act 2011 to introduce a power to amend the transitional provisions in FA 2011 in relation to the lifetime allowance. Clause 3 amends Finance Act 2004 as it relates to the annual allowance for UK tax relieved pensions which is lowered to £40,000 from 2014-15 onwards.

DETAILS OF CLAUSE 1

2. Subsection (2) provides for the standard lifetime allowance to be £1,250,000 for the tax year 2014-15 onwards.

3. Subsection (3) amends section 218(3) to provide that the power to increase the lifetime allowance by Treasury Order applies for any tax year subsequent to 2014-15.

4. Subsection (4) provides for the reference to the standard lifetime allowance to be replaced by a figure of £1,500,000 where certain lump sum death benefits are paid (a 'benefit crystallisation event 7' occurs) on or after 6 April 2014 in respect the death of the individual in either tax year 2012-13 or 2013-14.

5. Subsection (5) provides that amendments made by subsections (2) to (4) have effect for the tax year 2014-15 onwards.

DETAILS OF CLAUSE 2

6. Subsection (3) inserts new paragraphs 15 to 17 into Part 2 of Schedule 18 to FA 2011. Part 2 of Schedule 18 provides for transitional protection for pension savers following changes to the lifetime allowance in Part 1 of Schedule 18.

7. New paragraph 15(1) provides a power for HMRC to amend paragraph 14 of Schedule 18 by regulations.

8. New paragraph 15(2) provides that the regulations under new paragraph 15 may add to the cases when paragraph 14 of Schedule 18 is to apply or cease to apply.

9. New paragraph 15(3) provides that regulations under new paragraph 15 may have effect before they are made, but not before 6 April 2012, provided that they do not increase any person's liability to tax.

10. New paragraph 15(4) provides that regulations made during 2013 under this paragraph may increase a person's liability to tax but not before 6 April 2013.

11. New paragraph 16 provides a power for HM Revenue & Customs to make regulations specifying how a notice of intention to rely on the transitional protection under paragraph 14 of Schedule 18 should be given.

12. New paragraph 17 provides that regulations made under new paragraphs 15 or 16 may include supplementary or incidental provision, are to be made by statutory instrument and are subject to the negative procedure.

13. Subsection (4) provides that the Registered Pension Schemes (Lifetime Allowance Transitional Protection) Regulations 2011 (SI 2011/1752) will continue to have effect.

DETAILS OF CLAUSE 3

14. Subsection 2 amends section 228(1) to reduce the level of the annual allowance to £40,000 from 2014-15.

15. Subsection 3 amends section 228(2) so that the power to vary the level of the annual allowance can only apply for 2015-16 and subsequent tax years.

DETAILS OF THE SCHEDULE

16. Paragraph 1(1) provides for transitional protection ("fixed protection 2014") against the lifetime allowance charge from 6 April 2014 for those who do not have primary protection, enhanced protection or fixed protection under paragraph 14 of Schedule 18 to FA 2011.

17. Paragraph 1(2) provides for the greater of £1,500,000 and the standard lifetime allowance to apply to those who are relying on fixed protection 2014 when applying the provisions of Part 4 of FA 2004.

18. Paragraph 1(3) provides for fixed protection 2014 to be lost if:

- there is a benefit accrual (as defined in paragraph 1(4));
- there is an impermissible transfer;
- there is a transfer of sums or assets that is not a permitted transfer; or
- a new pension arrangement relating to the individual is made otherwise than in permitted circumstances.

19. Paragraphs 1(5) and (6) provide how to determine the increase in the value of the individual's rights under a cash balance or defined benefit arrangement and a hybrid arrangement under which cash balance or defined benefits may be provided.

20. Paragraphs 1(7) to (10) provide definitions of impermissible transfers, permitted transfers, permitted circumstances and when a relevant contribution is paid.

21. Paragraph 1(11) provides that increases in an individual's rights are to be ignored for the purposes of determining whether benefit accrual has occurred if they don't exceed the relevant percentage in a tax year. This applies for defined benefit and cash balance arrangements as well as hybrid arrangements where the benefits to be provided may be defined benefit or cash balance benefits.

22. Paragraph 1(12) provides that the relevant percentage is the annual rate of increase specified in the scheme rules (or predecessor scheme rules if this is more favourable to the individual) as at 11 December 2012, if there is one, plus the relevant statutory increase percentage or where there isn't a rate of increase in the scheme rules, the annual percentage increase in the consumer prices index for September in the previous tax year or where it is higher, the relevant statutory increase percentage.

23. Paragraph 1(13) defines predecessor arrangement and predecessor registered pension scheme.

24. Paragraph 1(14) defines the relevant statutory increase percentage for the purposes of paragraph 1(12).

25. Paragraph 1(15) provides that paragraph 1(16) applies when the individuals rights are under a deferred annuity contract and that contract limits increases in rights to annual increases in the retail prices index.

26. Paragraph 1(16) provides that where paragraph 1(15) applies, the relevant percentage for in paragraph 1(12)(b)(i), which allows for

CPI increases, is replaced by the annual rate of increase in the value of the individual's rights during the tax year.

27. Paragraph 1(17) provides further detail on the calculation of the annual increase in the retail prices index for the purposes of paragraph 1(15).

28. Paragraph 1(18) provides that paragraph 1(3) applies in relation to individuals who receive UK tax relief on pension savings in non-UK schemes, as if the non-UK scheme were a registered pension scheme, but that this is subject to paragraph 1(19).

29. Paragraph 1(19) provides that where the individual has an arrangement under a non-UK pension scheme, benefit accrual for the purposes of paragraph 1(3)(a) occurs if the pension input amount is greater than nil, and paragraph 1(4) does not apply.

30. Paragraphs 1(20) and (21) provide for expressions used in paragraph 1 to have the same meaning as in Part 4 of FA 2004.

31. Paragraph 2 provides a power for HMRC to amend paragraph 1 by regulations. These regulations may:

- add to the cases when paragraph 1 is to apply or cease to apply;
- have effect before they are made, but not before 6 April 2014, provided that they do not increase any person's liability to tax.

32. Paragraph 3 provides a power for HM Revenue & Customs to make regulations specifying how a notice of intention to rely on the transitional protection under paragraph 1 should be given.

33. Paragraph 4(3) provides that the regulations and are to be made by statutory instrument and are to be subject to the negative procedure.

BACKGROUND

34. Individuals can save as much as they like in a registered pension scheme subject to overall limits on the amount of tax relief their pension savings can benefit from. These limits are the lifetime and annual allowances. The Government announced on 5 December 2012 that tax relief for pension savings was to be restricted through a reduction in the lifetime and annual allowances.

35. The lifetime allowance is the maximum amount of pension and/or lump sum that an individual can take from their pension schemes that benefit from UK tax relief.

36. When an individual becomes entitled to their pension benefits, these benefits are tested to see if they exceed the individual's lifetime allowance. If they do exceed this, then there is a tax charge on the amount over their lifetime allowance. This tax charge is called the lifetime allowance charge. The rate of the lifetime allowance charge will depend on how the individual takes their benefits. Any amount over the lifetime allowance taken as a lump sum is taxable at 55 per cent whilst any amount as a pension is taxable at 25 per cent.

37. Clause 1 and Schedule 1 restrict tax relief for pension savings by reducing the level of the lifetime allowance provided for in section 218 of FA 2004.

38. The level of the standard lifetime allowance is reduced to £1,250,000 with effect from 6 April 2014. A new transitional protection ('fixed protection 2014') comes into force on the same date. Individuals with fixed protection 2014 have a lifetime allowance of the greater of £1,500,000 and the standard lifetime allowance.

39. Clause 2 provides a power to amend Part 2 of Schedule 18 to FA 2011 in relation to fixed protection. FA 2011 reduced the standard lifetime allowance from £1,800,000 to £1,500,000 with effect from 6 April 2012. A transitional protection regime, known as 'fixed protection' was introduced in Part 2 of Schedule 18. Individuals with fixed protection have a lifetime allowance of the greater of £1,800,000 and the standard lifetime allowance. The new power will be used to ensure individuals do not lose fixed protection in circumstances outside their control.

40. Clause 3 reduces the level of the annual allowance provided for in section 228 of FA 2004. The annual allowance is the maximum amount of pension savings for a tax year that can attract income tax relief. The level of the annual allowance is reduced from £50,000 to £40,000, which will reduce the amount of annual pension savings that benefit from UK tax relief.

41. The new level of annual allowance will apply for the tax year 2014-15 and subsequent tax years. This will affect pension contributions made in pension input periods that end in 2014-15. A pension input period usually covers 12 months and may end on 5 April each year or on other dates nominated by the scheme administrator or the individual.

42. If you have any questions about this change, or comments on the legislation, please contact Paul Cottis on 03000 564209 (email: pensions.policy@hmrc.gsi.gov.uk).

STATUTORY INSTRUMENTS

2013 No. 0000

INCOME TAX

The Registered Pension Schemes and Relieved Non-UK Pension Schemes (Lifetime Allowance Transitional Protection) (Amendment) Regulations 2013

Made - - - -	***
Laid before the House of Commons	***
Coming into force - -	***

The Commissioners for Her Majesty's Revenue and Customs make the following Regulations in exercise of powers conferred by paragraphs 15, 16 (1) and 17(1) of Schedule 18 to the Finance Act 2011(**a**):

Citation, commencement and effect

1.—(1) These Regulations may be cited as the Registered Pension Schemes and Relieved Non-UK Pension Schemes (Lifetime Allowance Transitional Protection) (Amendment) Regulations 2013 and come into force on [].

(2) Regulations 2(2), 2(4), 2(5), 2(6), 2(7) and 2(8) have effect for the tax year 2012 – 13 and subsequent tax years.

(3) Regulation 2(3) has effect for the tax year 2013 – 14 and subsequent tax years.

Amendments to Schedule 18 to the Finance Act 2011

2.—(1) Paragraph 14 of Schedule 18 to the Finance Act 2011 (transitional provisions) is amended as follows.

(2) After sub-paragraph (1) insert—

"(1A) This paragraph also applies on or after 6 April 2012 in the case of an individual—

(a) who, on that date,—

(i) has one or more arrangements under a relieved non-UK pension scheme of which the individual is a relieved member, and

(ii) is not a member of a registered pension scheme, and

(b) in relation to whom paragraph 7 of Schedule 36 to FA 2004(**b**) (primary protection) does not make provision for a lifetime allowance enhancement factor, and

(**a**) 2011 c. 11; paragraphs 15, 16 and 17 of Schedule 18 were inserted by section [ ] of the Finance Act 2013 (c. XX).
(**b**) 2004 c 12; relevant amendments are made by paragraph 2 of Schedule 10 to the Finance Act 2005 (c. 7), and paragraphs 19(1), (2) and (3) of Schedule 29 to, the Finance Act 2008 (c. 9), and paragraphs 7, 9, 10, 11, 12, 13, 14 and 21(1), (2), (3), and (4) of Schedule 17 to, the Finance Act 2011, and S.I. 2011/[XX].

(c) in relation to whom paragraph 12 of that Schedule(**a**) (enhanced protection) does not apply on that date,

if notice of intention to rely on it is given to an officer of Revenue and Customs.".

(3) (a) After sub-paragraph (4) insert—

"(4A) Subject to sub-paragraph (4B), sub-paragraph (4) applies in relation to an individual who is a relieved member of a relieved non-UK pension scheme with the following amendments—

(i) the reference to 6 April 2012 is to be read (insofar as it applies only to a relieved non-UK pension scheme) as a reference to 6 April 2013;

(ii) "registered pension scheme" includes a relieved non-UK pension scheme of which the individual is a relieved member.

Other sub-paragraphs of this paragraph apply accordingly.".

(b) After sub-paragraph (4A) insert—

"(4B) For the purposes of sub-paragraph (4)(a) there is a benefit accrual in relation to an individual under an arrangement under a relieved non-UK pension scheme if there is a pension input amount under sections 230 to 237 of FA 2004 (as applied by Schedule 34 to that Act) greater than nil in respect of the arrangement for any tax year.

This sub-paragraph applies instead of sub-paragraph (5).".

(4) In sub-paragraph (7) after "LS is the" omit "annual rate of the".

(5) In sub-paragraph (11) after "(5)(a)" insert "and (c)(i)".

(6) (a) For sub-paragraph (13) substitute—

"(13) The relevant percentage, in relation to a tax year, means—

(a) where the arrangement (or a predecessor arrangement) includes provision for the value of the rights of the individual to increase during the tax year at an annual rate specified in the rules of the pension scheme (or a predecessor registered pension scheme) on 9 December 2010—

(i) that percentage (or, where more than one arrangement does so the higher or highest of the percentages so specified), plus

(ii) the relevant statutory increase percentage;

(b) where the arrangement (or a predecessor arrangement) includes provision for the value of the rights of the individual to increase during the tax year at an annual rate specified in the rules of the pension scheme (or a predecessor registered pension scheme) on 6 April 2012 and does not exceed an increase in the retail prices index—

(i) an increase in the retail prices index, plus

(ii) the relevant statutory increase percentage; or

(d) otherwise—

(i) an increase in the consumer prices index, or

(ii) if higher, the relevant statutory increase percentage.".

(b) For sub-paragraph (14) substitute—

"(14) In sub-paragraph 13—

"predecessor arrangement", in relation to an arrangement, means another arrangement (under the same or another registered pension scheme) from which some or all of the sums or assets held for the purposes of the arrangement directly or indirectly derive;

(**a**) Paragraph 12 has been amended by paragraph 53(2) to (6) of Schedule 10 to the Finance Act 2005 (c. 7), paragraph 17 of Schedule 20 and Part 3(2) of Schedule 27 to the Finance Act 2007 (c. 11), paragraph 432(2) of Schedule 1 to the Corporation Tax Act 2010 (c. 4) and paragraph 59 of Schedule 26 to the Equality Act 2010 (c. 15).

"predecessor registered pension scheme", in relation to a pension scheme, means another registered pension scheme from which some or all of the sums or assets held for the purposes of the arrangement under the pension scheme directly or indirectly derive;

"an increase in the retail prices index" means the percentage by which the retail prices index for a month specified in the scheme rules is higher than it was for the same month in the year before (or nil per cent if it is not higher);

"an increase in the consumer prices index" means the percentage by which the consumer prices index for the month of September in the previous tax year is higher than it was for the same month in the year before (or nil per cent if it is not higher).".

(7) After sub-paragraph (14) insert—

"(14A) In sub-paragraph (13) "the relevant statutory increase percentage", in relation to a tax year, means the percentage increase in the value of the individual's rights under the arrangement during the tax year so far as it attributable solely to—

(a) a revaluation in accordance with section 16 of the Pensions Schemes Act 1993(**a**) or section 12 of the Pension Schemes (Northern Ireland) Act 1993(**b**) (early leavers: revaluation of earnings factors),

(b) a revaluation in accordance with Chapter 2 of Part 4 of the Pension Schemes Act 1993 or Chapter 2 of Part 4 of the Pensions Schemes (Northern Ireland) Act 1993 (early leavers: revaluation of accrued benefits), or

(c) the application of section 67 of the Equality Act 2010(**c**) (sex equality rule for occupational pension schemes).

(14B) Sub-paragraph (14C) applies in relation to a tax year if—

(a) the arrangement is a defined benefits arrangement which is under an annuity contract treated as a registered pension scheme under section 153(8) of FA 2004,

(b) the contract provides for the value of the rights of the individual to be increased during the tax year at an annual rate specified in the contract, and

(c) the contract limits the annual rate to the percentage increase in the retail prices index over a 12 month period specified in the contract.

(14C) Sub-paragraph (13)(d)(i) applies as if it referred instead to the annual rate of the increase in the value of the rights during the tax year.

(14D) For the purposes of sub-paragraph (14B)(c) the 12 month period must end during the 12 month period preceding the month in which the increase in the value of the rights occurs.".

(8) After sub-paragraph (18) insert—

"(19) In particular, references to a relieved non-UK pension scheme or a relieved member of such a scheme are to be read in accordance with paragraphs 13(3) and (4) and 18 of Schedule 34 to FA 2004 (application of lifetime allowance charge provisions to members of overseas pension schemes).".

(**a**) 1993 c. 48; relevant amendments are made by paragraphs 28(a), 28(b) and 62 of Schedule 5 and Part 3 of Schedule 7 to the Pensions Act 1995 (c. 26) and paragraph 4 of Schedule 2 and paragraphs 31(1), 31(2) and 32 of Part 1 of Schedule 12 to the Welfare Reform and Pensions Act 1999 (c. 30), and sections 281(1) and 281(2) of the Pensions Act 2004 (c. 35), and Part 3 of the Schedule to the Civil Partnerships (Pensions and Benefits Payments) (Consequential, etc. Provisions) Order 2005 (S.I. 2005/2053), and sections 19(2) and 19(3) of the Pensions Act 2011 (c. 19).

(**b**) 1993 c. 49; relevant amendments are made by paragraphs 21(a), 21(b) and 52 of Schedule 3 to the Pensions (Northern Ireland) Order 1995 (S.I. 1995/3213) (N.I. 22), and paragraphs 3, 20(2) and 21 of Schedule 9 to, the Welfare Reform and Pensions (Northern Ireland) Order 1999 (S.I. 1999/3147) (N.I. 11).

(**c**) 2010 c. 15.

Amendment to the Registered Pension Schemes (Lifetime Allowance Transitional Protection) Regulations 2011

3.—(1) Regulation 4(2) of the Registered Pension Schemes (Lifetime Allowance Transitional Protection) Regulations 2011(**a**) is amended as follows.

(2) For paragraph (b) substitute—

"(b) received by Her Majesty's Revenue and Customs on or before the following dates—

(i) if it relates to an individual described in paragraph 14(1), 5 April 2012; or

(ii) if it relates to an individual described in paragraph 14(1A), 5 April 2014."

Signatory text

Name
Name
Address Two of the Commissioners for Her Majesty's Revenue and Customs
Date

EXPLANATORY NOTE

(This note is not part of the Regulations)

The Finance Act 2011 (c. 11) made changes to the Lifetime Allowance Charge applied to pensions by reducing the Lifetime Allowance. Paragraph 14 of Schedule 18 to that Act provided for transitional protection for the Lifetime Allowance provided that conditions contained within that paragraph are met and a person has served notice on the Commissioners for Her Majesty's Revenue and Customs of intention to rely on the protection provided by that paragraph (a "paragraph 14 notice").

These Regulations amend that paragraph to remove restrictions in the transitional protection for the Lifetime Allowance Charge, and modify the Registered Pension Schemes (Lifetime Allowance Transitional Protection) Regulations 2011 (S.I. 2001/1752) to enable relieved members of relieved non-UK pension schemes to serve a paragraph 14 notice.

Regulation 1 provides for the citation, commencement and effect of these Regulations. Regulations 2(2), 2(4), 2(5), 2(6), 2(7) and 2(8) have retrospective effect from 6th April 2012. Regulation 2(3) has retrospective effect inform 6th April 2013. Paragraphs 15(3) and (4) of Schedule 18 to the Finance Act 2011 provide that regulations made under paragraph 15 may include provisions having effect in relation to a time before the regulations are made provided that that time is no earlier than 6th April 2012 where those provisions do not increase a person's liability to tax or 6th April 2013 where they do.

Regulation 2(2) inserts a new sub-paragraph (1A) into paragraph 14 of Schedule 18 to the Finance Act 2011 in order to extend the transitional protection to relieved members of relieved non-UK pension schemes who are not also members of a registered pension scheme.

Regulation 2(3) inserts a new sub-paragraph (4A) to apply the relevant provisions in paragraph 14(4) of that Schedule to relieved non-UK pension schemes from 6th April 2013.

Regulation 2(4) corrects an error in the definition of "LS" in sub-paragraph 7.

Regulation 2(5) inserts an omitted cross-reference.

(**a**) S.I.2011/1752. The Registered Pension Schemes (Lifetime Allowance Transitional Protection) Regulations 2011 ("the Regulations") were made under section 251(1) of the Finance Act 2004 and paragraphs 14(2) and 15 of Schedule 18 to the Finance Act 2011. Paragraphs 14(2) and 15 of Schedule 18 to the Finance Act 2011 were omitted, and a new paragraph 15 inserted by sections [ ](2) and (3) of the Finance Act 2013; the Regulations, however, by virtue of section [](4) of the Finance Act 2013 continue to have effect so far as made under paragraphs 14(2) and 15 as though they were made under paragraphs 16 and 17(1) of that Schedule.

Regulation 2(6) substitutes new sub-paragraphs (13) and (14). The new sub-paragraph (13) expands the definition of “relevant percentage” in order to provide that certain increases in the value of an individual’s rights are ignored for the purposes of determining if there has been a benefit accrual and calculating the value of it. The new sub-paragraph (14) inserts definitions necessary for the operation of the new sub-paragraph (13).

Regulation 2(7) inserts new sub-paragraphs (14A) to (14D). New sub-paragraph (14A) secures that, in relation to certain schemes, increases in value which are as a result of revaluations under the Pensions Schemes Act 1993 (c. 48), the Pensions Schemes Act (Northern Ireland) Act 1993 (c. 49) or the application of the Equality Act 2010 (c. 15) are ignored for the purposes of calculating a benefit accrual. New sub-paragraphs (14B) to (14D) secure that certain increases in value in annuity contracts are ignored for the purposes of calculating a benefit accrual. This corrects a consequence of the Act whereby people would have lost fixed protection in cases where they should not have done so.

Regulation 2(8) inserts new sub-paragraph 19 to make it clear that references to a relieved non-UK pension scheme or a relieved member of such a scheme are to be read in accordance with the provisions of the Finance Act 2004 which applies lifetime allowance provisions to members of overseas pension schemes.

Regulation 3 amends regulation 4(2)(b) of the Registered Pension Schemes (Lifetime Allowance Transitional Protection) Regulations 2011 to provide that in the case of relieved members of relieved non-UK pension schemes the deadline for serving a paragraph 14 notice is the 5th April 2014.

A Tax Information and Impact Note covering this instrument was published on 3rd March 2011 and is available on the HMRC website at http://www.hmrc.gov.uk/thelibrary/tiins.htm. It remains an accurate summary of the impacts that apply to this instrument.

STATUTORY INSTRUMENTS

2013 No.

INCOME TAX

The Registered Pension Schemes and Relieved Non-UK Pension Schemes (Lifetime Allowance Transitional Protection Notification) Regulations 2013

Made - - - -	***
Laid before the House of Commons	***
Coming into force - -	***

The Commissioners for Her Majesty's Revenue and Customs make these Regulations in exercise of the powers conferred by paragraphs 3 and 4(1) of Schedule [XX] to the Finance Act 2013(**a**) and section 251(1) of the Finance Act 2004(**b**) and now exercisable by them(**c**).

Citation, commencement and interpretation

1. These Regulations may be cited as the Registered Pension Schemes and Relieved Non-UK Pension Schemes (Lifetime Allowance Transitional Protection Notification) Regulations 2013 and come into force on [XX].

2. In these Regulations—

"HMRC" means Her Majesty's Revenue and Customs;

"paragraph 1" means paragraph 1 of Schedule [XX] to the Finance Act 2013;

"paragraph 1(3) event" means an event described in sub-paragraph (3) of paragraph 1;

"paragraph 1 notice" means a notice of intention to rely upon paragraph 1; and

"tribunal" means the First-tier Tribunal or, where determined in accordance with the Tribunal Procedure (First-tier Tribunal) (Tax Chamber) Rules 2009(**d**), the Upper Tribunal.

Reliance on paragraph 1

3.—(1) Subject to paragraph (2), an individual may rely on paragraph 1 if—

(a) the individual has given a paragraph 1 notice to HMRC, and

(b) HMRC have accepted that notice by issuing a certificate to the individual.

(**a**) 2013 c. [XX].

(**b**) 2004 c. 12. Subsection (2) of section 251 sets out the matters referred to in subsection (1)(a) in respect of which regulations may require persons to provide information of a prescribed description and to preserve documents for a prescribed period. Subsection (6) states that "prescribed" means prescribed by regulations.

(**c**) The functions of the Commissioners of Inland Revenue were transferred to the Commissioners for Her Majesty's Revenue and Customs by section 5(1) of the Commissioners for Revenue and Customs Act 2005 (c. 11). Section 50(1) of that Act provides that insofar as it is appropriate in consequence of section 5, a reference in an enactment, however expressed, to the Commissioners of Inland Revenue is to be treated as a reference to the Commissioners for Her Majesty's Revenue and Customs.

(**d**) S.I. 2009/273 (L. 1).

(2) An individual may not rely on paragraph 1 if—

(a) HMRC have refused to accept a paragraph 1 notice in accordance with regulation 6,

(b) HMRC have revoked the certificate in accordance with regulation 11, or

(c) a paragraph 1(3) event has occurred.

The paragraph 1 notice

4.—(1) A paragraph 1 notice must include the following information—

(a) the title, full name, address (including post code, if applicable) and date of birth of the individual submitting the paragraph 1 notice,

(b) the national insurance number of the individual or, where the individual does not qualify for a national insurance number, the reasons for this,

(c) a declaration that paragraph 7 of Schedule 36 to the Finance Act 2004 (primary protection) does not make provision for a lifetime allowance enhancement factor in the case of the individual,

(d) a declaration that paragraph 12 of that Schedule(**a**) (enhanced protection) will not apply in relation to the individual on and after 6th April 2014, and

(e) a declaration that paragraph 14 of Schedule 18 to the Finance Act 2011(**b**) (transitional provision relating to new standard lifetime allowance for the tax year 2012-13) will not apply in relation to the individual on and after 6th April 2014.

(2) A paragraph 1 notice must be—

(a) in a form prescribed by HMRC, and

(b) received by HMRC on or before 5th April 2014.

(3) The individual must sign and date the paragraph 1 notice.

Issue of certificate by HMRC

5.—(1) If HMRC accept the paragraph 1 notice, they must issue a certificate to the individual.

(2) The certificate must have a unique reference number.

Refusal by HMRC to accept notice

6.—(1) HMRC may refuse to accept the paragraph 1 notice if it does not satisfy the requirements in regulation 4.

(2) If HMRC refuse to accept the paragraph 1 notice the individual may require that HMRC provide reasons for the refusal.

Appeal against refusal to accept notice

7.—(1) The individual may appeal against a refusal by HMRC to accept the paragraph 1 notice.

(2) The notice of appeal must be given to HMRC before the end of the period of 30 days beginning with the day on which the refusal to accept the paragraph 1 notice was given.

(3) Where an appeal under this regulation is notified to the tribunal, the tribunal must determine whether HMRC were entitled to take the view that the notice did not satisfy the requirements in regulation 4.

(**a**) Paragraph 12 has been amended by paragraph 53(2) to (6) of Schedule 10 to the Finance Act 2005 (c. 7), paragraph 17 of Schedule 20 and Part 3(2) of Schedule 27 to the Finance Act 2007 (c. 11), paragraph 432(2) of Schedule 1 to the Corporation Tax Act 2010 (c. 4) and paragraph 59 of Schedule 26 to the Equality Act 2010 (c. 15).

(**b**) 2011 c. 11; paragraph 14 was amended by [XX] of the Finance Act 2013 (c. [XX]) and S.I. 2013/[XX].

(4) If the tribunal allows the appeal, the tribunal may direct HMRC to accept the paragraph 1 notice and issue a certificate to the individual.

Incorrect information given in, or in connection with, the paragraph 1 notice

8. If the individual realises that any information given in the paragraph 1 notice or given to HMRC in connection with that notice was incorrect or has become incorrect, the individual must provide HMRC with the correct information without undue delay.

Requirement to inform HMRC of a paragraph 1(3) event

9. Where HMRC have issued a certificate the individual must—

(a) inform HMRC when a paragraph 1(3) event occurs, and

(b) provide that information before the end of the period of 90 days beginning with the day on which the individual could first reasonably be expected to have known that a paragraph 1(3) event had occurred.

Replacement of a certificate by HMRC

10.—(1) HMRC may issue a certificate, replacing the previous certificate, if they have reason to believe that information given in, or in connection with, the paragraph 1 notice was incorrect or has become incorrect.

(2) A certificate issued in accordance with regulation 10(1) must have a unique reference number.

Revocation of a certificate by HMRC

11. HMRC may revoke a certificate if they—

(a) have reason to believe that a paragraph 1(3) event has occurred,

(b) have reason to believe that any of the conditions in paragraph 1(1) of Schedule [XX] to the Finance Act 2013 have not been met, or

(c) have given a taxpayer notice to the individual under Part 1 of Schedule 36 to the Finance Act 2008(**a**) (power to obtain information and documents from taxpayer) in connection with paragraph 1 and the individual does not reply to that notice within the time specified in the notice.

Appeal against replacement or revocation of a certificate

12.—(1) The individual may require HMRC to provide reasons for replacing or revoking the certificate.

(2) Paragraphs (1) and (2) of regulation 7 apply to a decision to replace or revoke the certificate as they apply to a refusal to accept the paragraph 1 notice.

(3) Where an appeal under this regulation is notified to the tribunal, the tribunal must determine whether HMRC replaced or revoked the certificate in accordance with regulations 10(1) or 11.

(4) If the tribunal allows the appeal, the tribunal may direct HMRC to issue a certificate to the individual.

Preservation of documents

13.—(1) Where HMRC have issued a certificate the individual must preserve the certificate until no further benefit crystallisation event(**b**) can occur in relation to the individual.

(**a**) 2008 c. 9; taxpayer notice is defined in paragraph 1(2) of Schedule 36.

(**b**) Benefit crystallisation event is defined in section 216 of the Finance Act 2004.

(2) The requirement to preserve the certificate ceases where the certificate has been revoked.

[Name]
[Name]
Date Two of the Commissioners for Her Majesty's Revenue and Customs

EXPLANATORY NOTE

(This note is not part of the Regulations)

Sections 214 to 226 of the Finance Act 2004 (c. 12) provide for the application of the lifetime allowance charge. Section [XX] of the Finance Act 2013 (c. [XX]) has reduced the level of the lifetime allowance, which applies to determine whether the lifetime allowance charge is applicable, to £[XX] from tax year 2014-15 onwards.

Schedule [XX] to the Finance Act 2013 introduces transitional provisions which provide protection from the lifetime allowance charge for those who may already have built up pension savings in the expectation that the lifetime allowance would remain at the current level of £1,500,000. These Regulations provide how individuals may give notice to Her Majesty's Revenue and Customs ("HMRC") that they intend to rely on that transitional protection and make provision for supplementary and incidental matters.

Regulations 3 and 4 make provision about giving that notice. If HMRC accept a notice they must issue a certificate (regulation 5). Regulation 6 sets out the circumstances in which HMRC may refuse to accept a notice and regulation 7 sets out how the individual may appeal against that decision.

Regulations 8 and 9 require that individuals inform HMRC if incorrect information has been given in a notice, or an event occurs which means that the individual is no longer entitled to rely upon the transitional protection.

Regulations 10 and 11 set out the circumstances in which, following acceptance of a notice, HMRC may replace or revoke a certificate. Regulation 12 sets out how the individual may appeal against replacement or revocation. Regulation 13 deals with the preservation of documents.

A Tax Information Impact Note was published on 11 December 2012 and is available on the HMRC website at http://www.hmrc.gov.uk/thelibrary/tiins.htm. It remains an accurate summary of the impacts that apply to this instrument.