NOTICES OF AMENDMENTS
Thursday 26 June 2014

CONSIDERATION OF BILL

Mr Chancellor of the Exchequer

NC13

To move the following Clause—

“Pension flexibility: further amendments

Schedule (*Pension flexibility: further amendments*) makes further provision in connection with pension flexibility.”

Mr Chancellor of the Exchequer

NS5

To move the following Schedule—

“PENSION FLEXIBILITY: FURTHER AMENDMENTS

Temporary extension of period by which commencement lump sum may precede pension

1 In Schedule 29 to FA 2004 (authorised lump sums under registered pension schemes) after paragraph 1 (conditions for a lump sum to be a pension commencement lump sum) insert—

“1A(1) Paragraph 1(1)(c) is to be omitted when deciding whether a lump sum to which this paragraph applies is a pension commencement lump sum.

(2) This paragraph applies to a lump sum if—

(a) the sum is paid in respect of a money purchase arrangement,

(b) the sum is paid before the member becomes entitled to the sum,

(c) either—

(i) the sum is paid on or after 19 September 2013 but before 6 April 2015, or

(ii) the sum is paid before 19 September 2013, a contract for a lifetime annuity is entered into to provide the pension in connection with which the sum is paid, and on or after 19 March 2014 the contract is cancelled, and

(d) the member becomes entitled to the sum before 6 October 2015.

(3) Where—

(a) a lump sum to which this paragraph applies is a pension commencement lump sum but would not be a pension commencement lump sum if sub-paragraph (1) were omitted, and

(b) the lump sum is paid to the member in connection with a pension under the scheme to which it is expected that the member will become entitled (“the expected pension”),

no lump sum paid to the member out of the expected-pension fund is a pension commencement lump sum; and here "the expected-pension fund" means the sums and assets that from time to time represent the sums and assets that, when the lump sum mentioned in paragraph (a) was paid, were held for the purpose of providing the expected pension.

(4) For the purposes of sub-paragraph (2), if the circumstances are as described in sub-paragraph (2)(c)(ii), the member is treated as not having become entitled to the arranged pension as a result of the cancelled contract having been entered into; and here "the arranged pension" means the pension that would have been provided by that contract had it not been cancelled."

Temporary relaxation to allow transfer of pension rights after lump sum paid

2(1) In Schedule 29 to FA 2004 after paragraph 1A insert—

"1B(1) When deciding whether a lump sum to which this paragraph applies is a pension commencement lump sum—

(a) paragraph 1(1)(aa) and (c) and (3) are to be omitted,

(b) paragraph 1(4) is to be treated as referring to the actual pension (see sub-paragraph (2)(h) of this paragraph), and

(c) paragraph 2(2) is to be treated as referring to the arrangement under which the member was expected to become entitled to the expected pension (see sub-paragraph (2)(b) of this paragraph).

(2) This paragraph applies to a lump sum if—

(a) the sum is paid in respect of a money purchase arrangement,

(b) the sum is paid to the member in connection with a pension under a registered pension scheme to which it is expected that the member will become entitled ("the expected pension"),

(c) the expected pension is income withdrawal, a lifetime annuity or a scheme pension,

(d) the sum is paid before the member becomes entitled to the expected pension,

(e) either—

(i) the sum is paid on or after 19 September 2013 but before 6 April 2015, or

(ii) the sum is paid before 19 September 2013, a contract for a lifetime annuity is entered into to provide the expected pension, and on or after 19 March 2014 the contract is cancelled,

(f) the sum is not repaid at any time before 6 October 2015,

(g) before the member becomes entitled to the expected pension, there is a recognised transfer of the sums and assets that immediately before the transfer represent the sums and assets that when the sum was paid were held for the purpose of providing the expected pension,

(h) the member becomes entitled before 6 October 2015 to a pension under the scheme to which the recognised transfer is made ("the actual pension"),

(i) the actual pension is income withdrawal, a lifetime annuity or a scheme pension, or some combination of them, and

(j) all of the sums and assets that represent the sums and assets transferred by the recognised transfer are used to provide the actual pension.

(3) If a lump sum to which this paragraph applies is a pension commencement lump sum, any lump sum paid—

(a) to the member,

(b) by the scheme to which the recognised transfer mentioned in sub-paragraph (2)(g) is made or by any other registered pension scheme (including the scheme from which the transfer was made), and

(c) in connection with the member's becoming entitled to the actual pension,

is not a pension commencement lump sum.

(4) For the purposes of sub-paragraph (2), if the circumstances are as described in sub-paragraph (2)(e)(ii), the member is treated as not having become entitled to the expected pension as a result of the cancelled contract having been entered into."

(2) In section 166(2) of FA 2004 (time at which a person becomes entitled to a lump sum)—

(a) before paragraph (a) insert—

"(za) in the case of a pension commencement lump sum to which paragraph 1B of Schedule 29 applies (certain sums paid before 6 April 2015), immediately before the person becomes entitled to the actual pension (see paragraph 1B(2)(h) of that Schedule),", and

(b) in paragraph (a) for "of a" substitute "of any other".

Temporary relaxation to allow lump sum to be repaid to pension scheme that paid it

3 In Chapter 3 of Part 4 of FA 2004 (payments by registered pension schemes) after section 185I insert—

"Repayments of lump sums

185J Effect of repayment of certain pre-6 April 2015 lump sums

(1) For the purposes of this Part—

(a) a lump sum to which this section applies is treated as never having been paid, and

(b) the payment by which it is repaid is treated as not being a payment.

(2) This section applies to a lump sum if—

(a) the sum is paid by a registered pension scheme to a member of the scheme in respect of a money purchase arrangement,

(b) the sum is paid to the member in connection with a pension under the scheme to which it is expected that the member will become entitled ("the expected pension"),

(c) the expected pension is income withdrawal, a lifetime annuity or a scheme pension,

(d) the sum is paid before the member becomes entitled to the expected pension,

(e) either—

(i) the sum is paid on or after 19 September 2013 but before 6 April 2015, or

(ii) the sum is paid before 19 September 2013, a contract for a lifetime annuity is entered into to provide the expected pension, and on or after 19 March 2014 the contract is cancelled,

(f) before the member becomes entitled to the expected pension, the member repays the sum to the pension scheme that paid it, and

(g) the repayment is made before 6 October 2015.

(3) For the purposes of subsection (2), if the circumstances are as described in subsection (2)(e)(ii), the member is treated as not having become entitled to the expected pension as a result of the cancelled contract having been entered into.”

Calculation of “applicable amount” in certain cases

4 In paragraph 3 of Schedule 29 to FA 2004 (pension commencement lump sums: applicable amount) after sub-paragraph (8) insert—

“(8A) Sub-paragraphs (1) to (8) have effect subject to the following—

(a) if—

(i) paragraph 1A or 1B applies to the lump sum,

(ii) the lump sum is paid more than 6 months before the day on which the member becomes entitled to it,

(iii) a contract for a lifetime annuity is entered into to provide the pension in connection with which the lump sum is paid, and

(iv) on or after 19 March 2014 the contract is cancelled,

the applicable amount is one third of the annuity purchase price that would have been given by sub-paragraphs (4) to (5) in the case of that annuity had the contract not been cancelled, and

(b) if—

(i) paragraph 1A or 1B applies to the lump sum,

(ii) the lump sum is paid more than 6 months before the day on which the member becomes entitled to it, and

(iii) paragraph (a) does not apply,

the applicable amount is one third of the sums, plus one third of the then market value of the assets, held at the time the lump sum is paid for the purpose of providing the pension at that time expected to be the pension in connection with which the lump sum is paid.

(8B) For the purposes of sub-paragraph (8A)(a)(ii), the member is treated as not having become entitled to a pension as a result of the cancelled contract having been entered into.”

Expected pension commencement lump sums treated as trivial commutation lump sums

5(1) In section 166(1) of FA 2004, in the lump sum rule, omit the “or” after paragraph (f), and after paragraph (g) insert “, or

(h) a transitional 2013/14 lump sum.”

(2) In Schedule 29 to FA 2004, after paragraph 11 insert—

"Transitional 2013/14 lump sum, and its related trivial commutation lump sum

11A(1) A lump sum is a transitional 2013/14 lump sum for the purposes of this Part if—

(a) the sum ("the earlier sum") is paid to the member in connection with a pension under a registered pension scheme to which it is expected that the member will become entitled ("the expected pension"),

(b) the earlier sum is paid before the member becomes entitled to the expected pension,

(c) either—

(i) the earlier sum is paid on or after 19 September 2013 but before 27 March 2014, or

(ii) the earlier sum is paid before 19 September 2013, a contract for a lifetime annuity is entered into to provide the expected pension, and on or after 19 March 2014 the contract is cancelled,

(d) all of the sums and assets for the time being representing the sums and assets that when the earlier sum was paid were held for the purpose of providing the expected pension are, before the member becomes entitled to the expected pension, used in paying a further lump sum to the member ("the further sum"),

(e) the further sum is paid on or after 6 July 2014 but before 6 April 2015, and

(f) the further sum is a trivial commutation lump sum (see sub-paragraph (2)).

(2) Sub-paragraph (4) applies when deciding under paragraph 7 whether the further sum is a trivial commutation lump sum in a case where the earlier sum is paid before the nominated date (see paragraph 7(3) for the meaning of "the nominated date").

(3) If the earlier sum is a transitional 2013/14 lump sum, and the earlier sum and the further sum are not the only lump sums paid under registered pension schemes to the member, sub-paragraph (4) applies when deciding under paragraph 7 whether any other lump sum paid under a registered pension scheme to the member is a trivial commutation lump sum.

(4) If this sub-paragraph applies, the payment of the earlier sum is to be treated for the purposes of paragraph 8(1)(b) as a benefit crystallisation event—

(a) which occurs when the earlier sum is paid, and

(b) on which the amount crystallised is the amount of the earlier sum.

(5) If the earlier sum is a transitional 2013/14 lump sum, and only the sums and assets mentioned in sub-paragraph (1)(d) are used in paying the further sum, section 636B of ITEPA 2003 applies in relation to the further sum with the omission of its subsection (3).

(6) If the earlier sum is a transitional 2013/14 lump sum, and the sums and assets mentioned in sub-paragraph (1)(d) are used together with other sums and assets in paying the further sum—

(a) section 636B of ITEPA 2003 applies in relation to the further sum as if instead of the further sum there were two separate trivial commutation lump sums as follows—

(i) one ("the first part of the further sum") consisting of so much of the further sum as is attributable to the sums and assets mentioned in sub-paragraph (1)(d), and

(ii) another consisting of the remainder of the further sum,

(b) the first part of the further sum is to be treated for the purposes of section 636B of ITEPA 2003 as having been paid immediately before the remainder of the further sum,

(c) section 636B of ITEPA 2003 applies in relation to the first part of the further sum with the omission of its subsection (3), and

(d) for the purposes of applying section 636B(3) of ITEPA 2003 in relation to the remainder of the further sum, the rights to which the first part of the further sum relates are to be treated as rights that are not uncrystallised rights immediately before the remainder of the further sum is paid.

(7) For the purposes of sub-paragraph (1), if the circumstances are as described in sub-paragraph (1)(c)(ii), the member is treated as not having become entitled to the expected pension as a result of the cancelled contract having been entered into."

(3) In section 636A of ITEPA 2003 (income tax exemption for certain lump sums)—

(a) in subsection (1) after paragraph (c) insert—

"(ca) a transitional 2013/14 lump sum,", and

(b) in subsection (6) (definitions) omit the "and", and after ""short service refund lump sum"," insert "and

"transitional 2013/14 lump sum",".

(4) In section 280(2) of FA 2004 (index of expressions) at the appropriate place insert—

"transitional 2013/14 lump sum paragraph 11A of Schedule 29".

Small pot lump sums

6(1) In the Registered Pension Schemes (Authorised Payments) Regulations 2009 (S.I. 2009/1171) after regulation 3 insert—

"3A(1) This regulation applies to a lump sum if—

(a) the sum ("the earlier sum") is paid under a registered pension scheme to a member of the scheme,

(b) the earlier sum is paid to the member in connection with a pension under a registered pension scheme to which it is expected that the member will become entitled ("the expected pension"),

(c) the earlier sum is paid before the member becomes entitled to the expected pension,

(d) either—

(i) the earlier sum is paid on or after 19 September 2013 but before 27 March 2014, or

(ii) the earlier sum is paid before 19 September 2013, a contract for a lifetime annuity is entered into to provide the expected

pension, and on or after 19 March 2014 the contract is cancelled,

(e) all of the sums and assets for the time being representing the sums and assets that when the earlier sum was paid were held for the purpose of providing the expected pension are, before the member becomes entitled to the expected pension, used in paying a further lump sum to the member ("the further sum"),

(f) the further sum is paid on or after 6 July 2014 but before 6 April 2015, and

(g) either—

(i) the payment of the further sum is a payment described in regulation 11, 11A or 12, or

(ii) the further sum is a trivial commutation lump sum within paragraph 7A of Schedule 29 and the earlier sum is the pension commencement lump sum in connection with which the further sum is paid.

(2) If this regulation applies to the earlier sum, and the payment of the further sum is a payment described in regulation 11, 11A or 12—

(a) the payment of the earlier sum is a payment of a prescribed description for the purposes of section 164(1)(f), and

(b) section 636A of ITEPA 2003 (exemption from income tax for certain lump sums) applies in relation to the earlier sum as if the earlier sum were a pension commencement lump sum.

(3) When deciding for the purposes of this regulation whether the further sum is a trivial commutation lump sum within paragraph 7A of Schedule 29, sub-paragraph (2)(c) of that paragraph is to be omitted.

(4) If this regulation applies to the earlier sum, and only the sums and assets mentioned in paragraph (1)(e) are used in paying the further sum, section 636B of ITEPA 2003 applies in relation to the further sum with the omission of its subsection (3).

(5) If this regulation applies to the earlier sum, and the sums and assets mentioned in paragraph (1)(e) are used together with other sums and assets in paying the further sum—

(a) section 636B of ITEPA 2003 applies in relation to the further sum as if instead of the further sum there were two separate trivial commutation lump sums as follows—

(i) one ("the first part of the further sum") consisting of so much of the further sum as is attributable to the sums and assets mentioned in paragraph (1)(e), and

(ii) another consisting of the remainder of the further sum,

(b) the first part of the further sum is to be treated for the purposes of section 636B of ITEPA 2003 as having been paid immediately before the remainder of the further sum,

(c) section 636B of ITEPA 2003 applies in relation to the first part of the further sum with the omission of its subsection (3), and

(d) for the purposes of applying section 636B(3) of ITEPA 2003 in relation to the remainder of the further sum, the rights to which the first part of the further sum relates are to be treated as rights that are

not uncrystallised rights immediately before the remainder of the further sum is paid.

(6) For the purposes of paragraph (1), if the circumstances are as described in paragraph (1)(d)(ii), the member is treated as not having become entitled to the expected pension as a result of the cancelled contract having been entered into."

(2) The amendment made by sub-paragraph (1) is 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.

Preservation of protected pension age following certain transfers of pension rights

7(1) In paragraph 22 of Schedule 36 to FA 2004 (protection of rights to take benefit before normal minimum pension age) after sub-paragraph (6) insert—

"(6A) A transfer is also a block transfer if—

(a) it involves the transfer in a single transaction of all the sums and assets held for the purposes of, or representing accrued rights under, the arrangements under the pension scheme from which the transfer is made which relate to the member,

(b) the transfer takes place—

(i) on or after 19 March 2014, and

(ii) before 6 April 2015, and

(c) the date mentioned in sub-paragraph (7)(a) is before 6 October 2015."

(2) In paragraph 23(6) of Schedule 36 to FA 2004 (meaning of "block transfer") after "22(6)" insert "and (6A), but for this purpose paragraph 22(6A)(c) is to be read as if its reference to paragraph 22(7)(a) were a reference to sub-paragraph (7) of this paragraph".

Operation of enhanced protection of pre-6 April 2006 rights to take lump sums

8 In paragraph 29 of Schedule 36 to FA 2004 (modifications of paragraph 3 of Schedule 29 to FA 2004 for cases where there is enhanced protection) after sub-paragraph (3) insert—

"(4) Paragraph 3 applies as if in sub-paragraph (8A)(a) for "is one third of" there were substituted "is— $\frac{VULSR}{VUR} \times (LS + CAPP)$

where VULSR, VUR and LS have the same meaning as in sub-paragraph (1), and CAPP is".

(5) Paragraph 3 applies as if in sub-paragraph (8A)(b) for "is one third of the sums, plus one third of" there were substituted "is—

$$\frac{VULSR}{VUR} \times (LS + EP)$$

where VULSR, VUR and LS have the same meaning as in sub-paragraph (1), and EP is the total of the sums, and"."

Protected lump sum entitlement following certain transfers of pension rights

9 In paragraph 31(8) of Schedule 36 to FA 2004 ("block transfer" has meaning given by paragraph 22(6) of Schedule 36 to FA 2004)—

(a) after "22(6)" insert "and (6A)", and

(b) at the end insert ", and reading paragraph 22(6A)(c) as if its reference to paragraph 22(7)(a) were a reference to sub-paragraph (3) of this paragraph."

10(1) In paragraph 34(2) of Schedule 36 to FA 2004 (modifications required by paragraph 31 in cases involving protected entitlements to lump sums) the sub-paragraphs treated as substituted in paragraph 2 of Schedule 29 to FA 2004 are amended as follows.

(2) In the substituted sub-paragraph (7A), in the definition of AC, for "(7AA) and (7B))" substitute "(7AA) to (7B))".

(3) After the substituted sub-paragraph (7AA) insert—

"(7AB) Where paragraph 1A applies to the lump sum, AC is the total of—

(a) the sums held, at the time the lump sum is paid, for the purpose of providing the pension at that time expected to be the pension in connection with which the lump sum is paid, and

(b) the market value at that time of the assets held at that time for that purpose.

(7AC) Where paragraph 1B applies to the lump sum, AC is the total of—

(a) the sums held, at the time the lump sum is paid, for the purpose of providing the expected pension (see paragraph 1B(2)(b)), and

(b) the market value at that time of the assets held at that time for that purpose."

Reporting obligations

11(1) In the Registered Pension Schemes (Provision of Information) Regulations 2006 (S.I. 2006/567) after regulation 18 insert—

"Modified operation of these Regulations in the case of certain pre-6 April 2015 lump sums

19 Lump sums to which paragraph 1B of Schedule 29 applies

(1) Regulations 3 to 18 have effect subject to the following provisions of this regulation.

(2) Paragraphs (3) to (8) apply if—

(a) a lump sum is paid by a registered pension scheme ("the paying scheme") to a member of the scheme,

(b) paragraph 1B of Schedule 29 applies to the lump sum, and

(c) the member's becoming entitled to the actual pension mentioned in paragraph 1B(2)(h) of Schedule 29 has the effect that—

(i) the member also becomes entitled to the lump sum, and

(ii) the member's becoming entitled to the lump sum is a benefit crystallisation event.

(3) For the purposes of—

(a) reportable event 6,

(b) regulation 3 so far as applying by virtue of that event, and

(c) obligations under regulation 14(1),

the benefit crystallisation event mentioned in paragraph (2)(c)(ii) is treated as occurring—

(i) in respect of the scheme to which the transfer mentioned in paragraph 1B(2)(g) of Schedule 29 was made (“the receiving scheme”) and not in respect of the paying scheme, and

(ii) when the member becomes entitled to the actual pension or, if later, on 5 August 2014.

(4) For the purposes of regulations 15(2)(a) and 17(5)(a)(i) and (7)(a)(i), that benefit crystallisation event is treated as occurring in respect of the receiving scheme and not in respect of the paying scheme.

(5) For the purposes of—

(a) reportable event 7 (but not its definition of “the entitlement amount”),

(b) reportable event 8, and

(c) regulation 3 so far as applying by virtue of either of those events,

the lump sum is treated as having been paid—

(i) by the receiving scheme and not by the paying scheme, and

(ii) when the member becomes entitled to the actual pension or, if later, on 5 August 2014.

(6) For the purposes of reportable event 7 “the entitlement amount” is the total of—

(a) the sums held, at the time the lump sum is actually paid, for the purpose of providing the expected pension mentioned in paragraph 1B(2)(b) of Schedule 29, and

(b) the market value at that time of the assets held at that time for that purpose.

(7) The scheme administrator of the paying scheme is to provide the scheme administrator of the receiving scheme with the following information—

(a) the date the lump sum was paid,

(b) the amount of the lump sum,

(c) the total of—

(i) the sums held, at the time lump sum is paid, for the purpose of providing the expected pension mentioned in paragraph 1B(2)(b) of Schedule 29, and

(ii) the market value at that time of the assets held at that time for that purpose, and

(d) a statement that no further pension commencement lump sum may be paid in connection with that expected pension.

(8) The scheme administrator of the paying scheme is to comply with its obligations under paragraph (7) before—

(a) the end of 30 days beginning with the date of the transfer mentioned in paragraph 1B(2)(g) of Schedule 29, or

(b) if later, the end of 3 September 2014.

20 Lump sums to which paragraph 1B of Schedule 29 fails to apply

(1) Regulations 3 to 18 have effect subject to the following provisions of this regulation.

(2) Paragraph (3) applies if—

(a) a lump sum is paid by a registered pension scheme ("the paying scheme") to a member of the scheme,

(b) paragraph 1B of Schedule 29 does not apply to the lump sum, but the conditions in paragraph 1B(2)(a) to (g) are met in the case of the lump sum, and

(c) as at the end of 5 October 2015 it is the case that the lump sum is to be taken as having been an unauthorised member payment.

(3) For the purposes of reportable event 1, and regulation 3 so far as applying by virtue of that event, the lump sum is treated as having been paid—

(a) by the receiving scheme and not by the paying scheme, and

(b) on 6 October 2015."

(2) The amendment made by sub-paragraph (1) is to be treated as having been made by the Commissioners for Her Majesty's Revenue and Customs under such of the powers cited in the instrument containing the Regulations as are applicable.

Scheme sanction charges

12(1) In section 239(3) of FA 2004 (cases where person other than scheme administrator is liable for a scheme sanction charge)—

(a) after "But" insert "—

(a) ", and

(b) at the end insert ", and

(b) in the case of a payment of a lump sum to a member where the conditions in paragraphs 1(1)(b) and (d) and 1B(2)(a) to (g) of Schedule 29 are met, the person liable to the scheme sanction charge so far as relating to any part of the lump sum within the permitted maximum is the scheme administrator of the registered pension scheme to which the transfer mentioned in paragraph 1B(2)(g) of Schedule 29 is made."

(2) In section 239 of FA 2004 (scheme sanction charges) after subsection (3) insert—

"(3A) For the purposes of subsection (3)(b) "the permitted maximum", in the case of a lump sum paid to an individual, is the amount that in accordance with paragraph 2 of Schedule 29 would be the permitted maximum for that lump sum if the individual became entitled at the time the lump sum is paid to the pension at that time expected to be the pension in connection with which the lump sum is paid."

(3) In section 268 of FA 2004 (discharge of liability to scheme sanction charges etc) after subsection (7) insert—

"(7A) Subsection (7) applies with the omission of its paragraph (a) if the scheme chargeable payment is a payment of a lump sum where the conditions in paragraph 1B(2)(a) to (g) of Schedule 29 are met."

(4) In the Taxation of Pension Schemes (Transitional Provisions) Order 2006 (S.I. 2006/572) in article 18 (which provides for paragraph 1(1)(b) of Schedule 29 to FA 2004 to be omitted in certain cases) at the end insert ", and section 239 has effect

in the case of a lump sum paid to that individual as if its subsection (3)(b) did not include a reference to paragraph 1(1)(b) of Schedule 29".

(5) The amendment made by sub-paragraph (4) is to be treated as made by the Treasury under the powers to make orders conferred by section 283(2) of FA 2004.

Power to make further adjustments

13 In section 166 of FA 2004 (payments by registered pension schemes: the lump sum rule) after subsection (4) insert—

"(5) The Commissioners for Her Majesty's Revenue and Customs may by regulations amend Part 1 of Schedule 29, or Part 3 of Schedule 36, in connection with cases involving a lump sum within subsection (6).

(6) A lump sum is within this subsection if—

(a) the sum is paid on or after 19 September 2013 and before 6 April 2015, or

(b) the sum is paid before 19 September 2013, a contract for a lifetime annuity is entered into to provide the pension in connection with which the sum is paid, and on or after 19 March 2014 the contract is cancelled.

(7) The provision that may be made under subsection (5) includes provision altering the effect of amendments made by the Finance Act 2014."

14 In section 282(1) and (2) of FA 2004 (making of regulations and orders) for "Board of Inland Revenue" substitute "Commissioners for Her Majesty's Revenue and Customs".

Commencement

15 The amendments made by paragraphs 1 to 5, 6(1), 7 to 10, 11(1) and 12(1) to (4) of this Schedule are to be treated as having come into force on 19 March 2014."

Ed Balls
Chris Leslie
Cathy Jamieson
Catherine McKinnell
Shabana Mahmood

NC14

To move the following Clause—

"Report on the additional rate of income tax

(1) The Chancellor of the Exchequer shall, within three months of the passing of this Act, publish a report on the additional rate of income tax.

(2) The report shall set out the impact upon Exchequer receipts of setting the additional rate at 50 per cent in the tax year 2015-16.

(3) The report shall set out the impact of reducing the additional rate for 2013-14 on the amount of income tax paid by—

(a) all people who are liable for the additional rate;

(b) those with taxable incomes of over £250,000 per year; and

(c) those with taxable incomes of over £1,000,000 per year.

(4) The report shall set out the impact of the reduction in the additional rate for 2013-14 on the level of bonuses awarded in April 2013 to employees in the financial sector.”

EXPLANATORY NOTE

NEW CLAUSE 13 AND NEW SCHEDULE 5: PENSION FLEXIBILITY: FURTHER AMENDMENTS

SUMMARY

1. New Clause 13 and New Schedule 5 introduce transitional provisions in connection with the new flexibilities available to individuals for accessing their pension savings introduced by clauses 39 and 40 of this Bill as well as the further flexibilities that will be introduced from April 2015. Normally any tax-free lump sum paid from pension savings must be taken in connection with a pension, no more than 6 months before the pension and must be paid from the same scheme. Where these conditions are not met the intended tax-free lump sum is an unauthorised payment and subject to various tax charges. This Schedule amends these provisions to enable individuals to take a tax–free lump sum now and wait until April 2015 to decide how they want to access their pension savings, transfer the rest of their pension savings to another pension provider to enable them to access their pension savings, or receive the rest of the pension savings now as a lump sum under the limits raised in clause 40.

DETAILS OF THE SCHEDULE

2. Paragraph 1 inserts new paragraph 1A into Schedule 29 to Finance Act 2004 (Schedule 29) to provide that certain lump sums paid before 6 April 2015 will be capable of being paid tax-free as pension commencement lump sums (PCLS) so long as the member becomes entitled to the pension the PCLS is paid in connection with before 6 October 2015.

3. New paragraph 1A(1) of Schedule 29 removes the condition that a PCLS must be paid no more than six months before the member becomes entitled to the connected pension when paragraph 1A applies.

4. New paragraph 1A (2) provides that paragraph 1A applies when the member becomes entitled to the connected pension before 6 October 2015 and the intended PCLS is paid:

- Before 6 April 2015
- from a money purchase arrangement including cash balance arrangements;
- before the member becomes entitled to the connected pension; and,
- either on or after 19 September 2013 (that is 6 months before the date the flexibility changes were announced at Budget 14) or if it was paid before 19 September 2013, where a lifetime annuity purchased in connection with the intended PCLS is cancelled on or after 19 March 2014.

5. New paragraph 1A(3) provides that a further PCLS cannot be paid out of or in connection with the sums and assets held for the purpose of providing the expected pension which relates to the intended PCLS.

6. New paragraph 1A(4) confirms that for the purposes of deciding whether the member has become entitled to a pension, the member is not to be treated as having become entitled to a lifetime annuity if the contract which was to provide that annuity is cancelled on or after 19 March 2014.

7. Paragraph 2(1) inserts new paragraph 1B into Schedule 29 to provide in certain prescribed circumstances that a PCLS can be paid from a different registered pension scheme (scheme A) to the scheme (scheme B) that provides the pension it is paid in connection with. Where this applies the maximum that can be paid as a PCLS must be based on the expected pension that scheme A would have paid, not the actual pension that is paid from scheme B.

8. New paragraph 1B(1) removes the conditions that to be a PCLS, the member must become entitled to the PCLS in connection with a pension paid under the same scheme to which the member becomes entitled no more than six months after the PCLS was paid. It also sets out when references to a pension in paragraphs 1 and 2 of Schedule 29 should be read as referring to the actual pension or the expected pension.

9. New paragraph 1B(2) prescribes when paragraph 1B applies and defines the "actual pension" and "expected pension". In addition to the circumstances that must be met for paragraph 1A to apply, for paragraph 1B to apply the intended PCLS must also be paid in the expectation that a pension (the expected pension) would be provided from scheme A. However the sums and assets intended to be used to provide the expected pension when the intended PCLS was paid from scheme A may be transferred to scheme B to provide an actual pension. The member must become entitled to the actual pension from scheme B before 6 October 2015 and the actual pension must use up all the sums and assets transferred and any sums derived from them, for example any investment growth.

10. New paragraph 1B(3) provides that any other lump sum paid by scheme B to the member in connection with the sums and assets transferred cannot be paid tax free as a PCLS.

11. New paragraph 1B(4) provides that for the purposes of deciding whether there was a recognised transfer for the purposes of sub-paragraph (2)(g), the member is not to be treated as having become entitled to a lifetime annuity if the contract which was to provide that annuity is cancelled on or after 19 March 2014.

12. Paragraph 2(2) inserts new sub-section (za) into section 166(2) of Finance Act 2004 (FA 2004). This provides that when paragraph 1B applies the member is treated as becoming entitled to the PCLS paid by scheme A immediately before becoming entitled to the actual pension under scheme B. This date is also the date on which the payment of the PCLS gives rise to a benefit crystallisation event 6 for the purposes of the lifetime allowance charge in sections 214 to 216 of FA 2004.

13. Paragraph 3 inserts new section 185J into FA 2004. New Section 185J relates to the repayment of certain lump sums paid before 6 April 2015.

14. New section 185J(1) sets out the circumstances in which an intended PCLS that is repaid by the member to the scheme that paid it, is treated for tax purposes as never having been paid and that the repayment is not treated as a payment. This means that no tax is payable on the intended PCLS and no tax relief is due in respect of the repayment.

15. New section 185J(2) sets out the circumstances in which paragraph 3 applies. These are that an intended PCLS must be paid in the period and circumstances specified in new paragraph 1A of Schedule 29 as inserted by paragraph 1 of the Schedule and that the intended PCLS must be paid in the expectation that a pension (the expected pension) would be provided from the scheme and the repayment must be made before 6 October 2015.

16. New section 185J(3) confirms that when deciding whether the intended PCLS was repaid before the member became entitled to the expected pension, the member is not to be treated as having become entitled to a lifetime annuity if the contract which was to provide that annuity is cancelled on or after 19 March 2014.

17. Paragraph 4 provides how to calculate the maximum applicable amount that can be paid as a PCLS where either new paragraph 1A or 1B of Schedule 29 apply. It inserts new sub-paragraphs (8A) and (8B) into paragraph 3 of Schedule 29.

18. New paragraph 3(8A) of Schedule 29 provides that when calculating the maximum PCLS in paragraph 3 of Schedule 29 where the expected pension is a lifetime annuity the contract for which is cancelled, the applicable amount for the purposes of paragraphs 2 and 3 of Schedule 29, is one third of the price of the annuity that was cancelled. Sub-paragraph (8A) also provides that in any other case where either new paragraph 1A or 1B of Schedule 29 apply, the calculation of the applicable amount is based on the assumption that the member had become entitled to the expected pension in connection with which the PCLS was paid at the time the lump sum is paid.

19. New paragraph 3(8B) confirms that for the purposes of new sub-paragraph (8A), if a contract for a lifetime annuity is cancelled within the required timescale, the member is not treated as having become entitled to the lifetime annuity.

20. Paragraph 5 amends FA 2004 to provide for a lump sum, which was intended to be a PCLS, to be paid tax free where the rest of the funds are used to pay a trivial commutation lump sum instead of a relevant pension. Trivial commutation lump sums are defined in paragraphs 7 to 9 of Schedule 29.

21. Paragraph 5(1) adds a new category of tax-free authorised lump sum that may be paid to a member called a transitional 2013/14 lump sum.

22. Paragraph 5(2) inserts new paragraph 11A into Schedule 29, which provides for certain lump sums to be transitional 2013/14 lump sums and how they and the associated trivial commutation lump sums are subject to tax.

23. New paragraph 11A(1) provides that a transitional 2013/14 lump sum (also the ‘earlier sum’) must be paid within the same time period as if new paragraph 1A of Schedule

29 applied, in the expectation that the earlier sum would be a PCLS and that an expected pension would be paid in connection with it. In addition all the sums and assets expected to be paid as a pension must be paid on or after 6 July 2014 and before 6 April 2015 as a trivial commutation lump sum (the further sum).

24. New paragraphs 11A(2) to (4) provide that the value of certain specified lump sums is taken into account when determining whether the commutation limit of £30,000 is exceeded, in order to work out whether or not "the further sum" is a trivial commutation lump sum.

25. New paragraphs 11A(5) and (6) prescribe that the whole of the trivial commutation lump sum is subject to income tax if the trivial commutation lump sum is paid solely from the sums and assets intended to be paid as the expected pension. This ensures that no part of this further sum can be paid tax free where a tax-free lump has already been paid in connection with all the sums and assets that make up the further sum. Where the trivial commutation lump sum is paid from other sums and assets in addition to those intended to be paid as an expected pension, only 25% of the part of the trivial commutation lump sum that relates to the sums and assets not intended for the original pension may be paid tax free.

26. New paragraph 11A(7) confirms that for the purposes of deciding whether a lump sum is a transitional 2013/14 lump sum, the member is not to be treated as having become entitled to a lifetime annuity if the contract which was to provide that annuity is cancelled on or after 19 March 2014.

27. Paragraph 5(3) amends section 636A of ITEPA 2003 to add transitional 2013/14 lump sums to the list of lump sums that are paid tax free to the member.

28. Paragraph 6 amends the Registered Pension Schemes (Authorised Payments) Regulations 2009 (S.I. 2009/1171) to allow a lump sum that was paid and was intended to be a PCLS, to be paid tax free where the funds intended to provide a pension in connection with the lump sum are instead paid out as a lump sum under regulations 11, 11A or 12 of S.I. 2009/1171 or paragraph 7A of Schedule 29. Where this paragraph applies, the intended PCLS will still be a tax free authorised payment.

29. Paragraph 6(1) inserts new regulation 3A into S.I. 2009/1171.

30. New regulation 3A(1) provides that when regulation 3A applies, which are the same circumstances as when new paragraph 11A of Schedule 29 applies, except that the sums and assets expected to be paid as a pension must be paid on or after 6 July 2014 and before 6 April 2015 as a lump sum under regulations 11, 11A or 12 of S.I. 2009/1171 or a trivial commutation lump sum within paragraph 7A of Schedule 29 (the further sum).

31. New regulation 3A(2) provides that where regulation 3A applies and the lump sum is of a payment described in S.I. 2009/1171, the intended PCLS is an authorised payment under section 164(1)(f) of FA 2004 and is treated as a PCLS for the purposes of section 636A of ITEPA 2003, so that it can be paid tax free to the member, although it is not a PCLS for any other purposes.

32. New regulation 3A(3) provides that where the lump sum is within paragraph 7A of Schedule 29, the requirement for the lump sum to be paid no later than one month after the PCLS is omitted.

33. New regulations 3A(4) and (5) prescribe that the whole of the further sum is subject to income tax where it is paid solely from the sums and assets intended to be paid as the expected pension. Where the further sum is paid from other sums and assets in addition to those intended to be paid as an expected pension, only 25% of the part of the further sum that relates to the sums and assets not intended for the expected pension may be paid tax free.

34. New regulation 3A(6) confirms that for the purpose of whether regulation 3A applies, the member is not to be treated as having become entitled to a lifetime annuity if the contract which was to provide that annuity is cancelled on or after 19 March 2014.

35. Paragraph 7 amends paragraphs 22 and 23 of Schedule 36 to FA 2004 (Schedule 36), to ensure that where an individual is entitled to a protected pension age under that Schedule, any recognised transfer to which new paragraph 1B of Schedule 29 applies will not result in the loss of that protected pension age.

36. Paragraph 7(1) inserts new sub-paragraph (6A) into paragraph 22 of Schedule 36. It prescribes that a transfer is also a block transfer if it involves the transfer of all the members' rights under that scheme and the transfer takes place on or after 19 March 2014 but before 6 April 2015. As a protected pension age is not lost by reason of a block transfer, this means that when this paragraph applies the member does not lose their right to a protected pension age in consequence of a transfer.

37. Paragraph 7(2) amends paragraph 23(6) of Schedule 36 so that where that paragraph applies, block transfer has the same meaning as in paragraph 22(6) and 6(A).

38. Paragraph 8 amends paragraph 29 of Schedule 36 to set out the maximum that can be paid as a PCLS to an individual who has a protected lump of greater than £375k, where new paragraphs 1A or 1B of Schedule 29, as inserted by paragraphs 1 and 2 of the Schedule, apply. In this case the maximum is to be determined by reference to the expected pension rather than the actual pension paid.

39. Paragraph 9 amends paragraph 31 of Schedule 36 to provide that a protected right to a PCLS of greater than 25% of a member's uncrystallised rights is not lost as a result of a transfer to which this Schedule applies.

40. Paragraph 10 amends paragraph 34 of Schedule 36 which modifies paragraph of Schedule 29 for calculating the maximum that can be paid as a PCLS where an individual has a protected right to a PCLS of greater than 25% of their uncrystallised rights.

41. Paragraphs 10(2) and (3) provide that when calculating the maximum PCLS, the amount crystallised (AC) is to be based on the value of the expected pension rather than the actual pension.

42. Paragraph 11(1) inserts new regulations 19 & 20 into the Registered Pension Schemes (Provision of Information) Regulations 2006 (S.I. 2006/567).

43. New regulation 19 provides how the reporting requirements apply following a transfer to which new paragraph 1B of Schedule 29 applies. It sets out the information that is required to be provided between scheme administrators and from scheme administrators to HMRC and members. It also sets out when the required information must be provided.

44. New regulation 20 sets out the reporting requirements where there has been a transfer to which new paragraph 1B would have applied had the entitlement to the actual pension arisen before 6 October 2015. The unauthorised payment represented by the intended PCLS must be reported to HMRC under regulation 3 by the receiving scheme as if the unauthorised payment was paid on 5 October 2015.

45. Paragraphs 12(1) and (2) amend section 239 of FA 2004 to provide that where new paragraph 1B would have applied had the entitlement to the actual pension arisen before 6 October 2015, the scheme administrator of the receiving scheme is liable for the scheme sanction charge due in respect of the unauthorised payment represented by the intended PCLS. However, where the lump sum would have exceeded the permitted maximum had it been a PCLS, the scheme sanction charge in respect of the part of the lump sum that is in excess of that permitted maximum is the liability of the scheme administrator of the transferring scheme.

46. Paragraph 12(3) enables a scheme administrator of the receiving scheme to apply for a discharge of any liability where they believe it would not be just and reasonable for them to be liable to the scheme sanction charge.

47. Paragraphs 12(4) and (5) amend article 18 of the Taxation of Pension Schemes (Transitional Provisions) Order 2006 (S.I. 2006/572) to provide that for individuals with enhanced protection, section 239(3)(b) of Finance Act 2004 applies without the requirement for the member to have available lifetime allowance.

48. Paragraph 13 amends section 166 of FA 2004 to introduce a power to make regulations to amend the lump sum rules in Part 1 of Schedule 29 or Part 3 of Schedule 36 where the lump sum is paid on or after 19 September 2013 and before 6 April 2015, or if it was paid before 19 September 2013, where a lifetime annuity purchased in connection with the intended PCLS is cancelled on or after 19 March 2014.

49. Paragraph 15 provides that the amendments made by paragraphs 1 to 12 of this Schedule are treated as coming into force on 19 March 2014.

BACKGROUND NOTE

50. Finance Act 2004 sets out the tax rules in connection with payments to and from registered pension schemes. It sets out those payments (most commonly pensions and lump

sums) that are authorised and the conditions that must be met for each type of payment to be authorised. Where a payment is made that doesn't meet the conditions to be an authorised payment, various tax charges apply.

51. Clauses 39 and 40 of this Bill make various changes to the limits that apply when pensions and lump sums can be paid. In addition the Government announced at Budget 14 that new flexibilities would be introduced from April 15 on how individuals could access their pension savings. The Schedule deals with a number of transitional issues arising in consequence of the Budget 14 announcement.

52. One of the authorised payments a scheme can make to a member is the PCLS which is paid tax free. This Schedule amends Finance Act 2004 to ensure that:

- Where an intended PCLS is paid before 6 April 2015 in respect of a money purchase arrangement, the pension associated with the PCLS can commence up to 5 October 2015;
- where an intended PCLS is paid before 6 April 2015 in respect of a money purchase arrangement, the pension associated with the PCLS can be paid from a different scheme from that which paid the PCLS;
- where the associated pension is paid from a different scheme to the PCLS under the bullet point above, any right to a protected pension age or protected lump sum is preserved as part of the transfer;.
- where an intended PCLS paid before 6 April 2015 in respect of a money purchase arrangement is repaid before 6 October 2015, the intended PCLS is treated for all tax purposes as if it had never been paid; and,
- where a member has received an intended PCLS before 27 March 2014, if they commute the uncrystallised expected pension to a lump sum under the trivial commutation or small pots rules then the intended PCLS will continue to be an authorised payment and tax free.

HM Revenue
& Customs

Increasing pension flexibility

Who is likely to be affected?

- Individuals above the minimum pension age (normally 55 and over), who have pension savings in a registered pension scheme;
- individuals with drawdown pensions; and
- scheme administrators of registered pension schemes.

General description of the measure

A number of changes are being made to the drawdown, trivial commutation and small pots limits affecting the benefits that can be taken from a registered pension scheme as drawdown pension income and as taxed lump sums.

Policy objective

This measure makes the tax system fairer by providing a greater number of people with flexibility to access their pension savings.

Background to the measure

This measure was announced at Budget 2014.

The Government announced on 27 March 2014 that legislation would be included in Finance Bill 2014 to cover certain transitional issues.

HM Revenue and Customs (HMRC) published further information on the proposed transitional provisions on 9 and 24 April 2014.

This Tax Information and Impact Note (TIIN) updates the TIIN published on 19 March 2014.

Detailed proposal

Operative date

The increase in the maximum annual pension for capped drawdown pensioners applies for all drawdown pension years starting on or after 27 March 2014.

The reduction in the amount of relevant income needed to be eligible for flexible drawdown applies to all individuals who apply for flexible access to their drawdown pension on or after 27 March 2014.

The rise in the trivial commutation limit applies to all commutation periods starting on or after 27 March 2014.

The rise in the amount that can be taken as a taxed lump sum from other small pension pots, and the number that can be taken, applies to all payments made on or after 27 March 2014.

The transitional provisions will apply from the date of Royal Assent except the changes in connection with extending the allowable period between the payment of the tax free lump sum and the associated pension which has effect from 19 March 2014.

Current law

Registered pension schemes are tax-advantaged vehicles that encourage saving for retirement. They were introduced by Part 4 of Finance Act (FA) 2004 and replaced a system of tax-approval for pension schemes.

Section 164 details payments that a registered pension scheme is authorised to make to or in respect of members. These include the payment of pensions to members and dependants under sections 165 and 167 respectively and the payment of lump sums to members under section 166.

Capped drawdown

Pension rule 5 in section 165 imposes a limit on the amount of drawdown pension that the drawdown pensioner may withdraw from their capped drawdown pension arrangement during a drawdown pension year. The current limit is 120 per cent of a value called the 'basis amount'. A drawdown pension year is the period of 12 months starting on the anniversary of when the individual first became entitled to the drawdown pension.

The basis amount is defined in Schedule 28 to FA 2004 and in the Registered Pension Schemes (Relevant Annuities) Regulations 2006, SI2006/129. The basis amount is also commonly referred to as the amount of an 'equivalent annuity'.

Flexible drawdown

Where a drawdown pensioner (or dependant) meets the flexible drawdown conditions there is no limit on the amount that they can take each year as drawdown pension. One of the required conditions is that the individual is receiving relevant income of £20,000. 'Relevant income' is defined in paragraph 14A of Schedule 28 (for members) and in paragraph 24C (for dependants). £20,000 is the minimum income threshold.

Trivial commutation

A trivial commutation lump sum can be paid when the member is 60 or over and the total value of their pension rights under all registered pension schemes is less than the commutation limit and the lump sum extinguishes all of the rights the member has under the scheme. The current commutation limit is £18,000.

Small pots

The Registered Pension Schemes (Authorised Payments) Regulations 2009 (SI 2009/1171) sets out circumstances in which small pots can be commuted into an authorised lump sum. Under regulation 10, a lump sum up to £18,000 can be paid where, were it not for the fact that the lump sum would not extinguish all of the rights under the scheme because of an annuity in payment the lump sum could have been paid as a trivial commutation lump sum. Under the rest of the rules in Part 2 of the regulations the lump sum payments must be less than £2,000.

A lump sum can only be paid under regulation 11A of SI2009/1171, which applies where the pension scheme is not an occupational pension scheme nor a public sector pension, where the member has not previously received more than one lump sum under this regulation.

Members with transitionally protected rights to receive a tax free pension commencement lump sum worth more than 25 per cent of their total rights, who exercise that right, may also receive the balance of their fund to be paid as a taxed lump sum if it is worth £2,000 or less. This is under Article 23C of The Taxation of Pensions (Transitional Provisions) Order 2006 (SI2006/572).

Pension commencement lump sums

A tax free lump sum known as the pension commencement lump sum ('PCLS') can only be paid in connection with the member becoming entitled to a pension, ('the associated pension'). The PCLS must be paid no more than 12 months after they become entitled to the associated pension and no more than 6 months before the entitlement to the associated pension arises. The PCLS must be paid from the same scheme as the associated pension. Paragraphs 1 to 3A of Schedule 29 set out the conditions for a lump sum to be a PCLS.

Protection of existing rights

When the current pensions tax rules were introduced on 6 April 2006 (A-day), transitional protection was made available to allow benefits that could have been paid under the pre A-day legislation but where they could not normally have been paid post A-day as authorised payments subject to certain conditions. This covers such payments as tax free lump sums of greater than 25% of the members pension fund and paying a pension before the normal minimum pension age of 55. The legislation for these transitional protections is set out in Schedule 36 of FA 2004.

Proposed revisions

Legislation will be introduced in Finance Bill 2014 to amend FA 2004 to:

- increase the maximum income that a drawdown pensioner (member or dependant) with a capped drawdown pension fund can choose to receive to 150 per cent of the "basis amount";
- reduce the minimum income threshold for flexible drawdown to £12,000;
- allow members over 60, with total pension savings of £30,000 or less to take out all of those savings as one or more trivial commutation lump sums;
- remove the revaluation factor for determining how much of the commutation limit is used up by crystallisation of previous pension rights;
- increase the limit in regulation 10 of SI2009/1171 to £30,000;
- increase the other small pots limits in Part 2 of SI2009/1171 to £10,000;
- Increase the number of lump sums that can be taken under regulation 11A of SI2009/1171 to three; and
- increase the small pot limit in Article 23C of SI2009/1172 to £10,000.

Transitional legislation will also be introduced in Finance Bill 2014 to amend FA 2004 to ensure that:

- where an intended PCLS is paid before 6 April 2015 in respect of a money purchase arrangement, the pension associated with the PCLS can commence up to 5 October 2015;
- where an intended PCLS is paid before 6 April 2015 in respect of a money purchase arrangement, the pension associated with the PCLS can be paid from a different scheme from that which paid the PCLS;
- where the associated pension is paid from a different scheme to the PCLS under the bullet point above, any right to a protected pension age or protected lump sum is preserved as part of the transfer;

- where an intended PCLS paid before 6 April 2015 in respect of a money purchase arrangement is repaid before 6 October 2015, the intended PCLS is treated for all tax purposes as if it had never been paid;
- where a member has received an intended PCLS before 27 March 2014, if they commute the uncrystallised expected pension to a lump sum under the trivial commutation or small pots rules then the intended PCLS will continue to be an authorised payment and tax free;
- where a member receives an intended PCLS in respect of a money purchase arrangement and dies before taking the expected pension under these transitional provisions, the PCLS will continue to be an authorised payment and tax free.

Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19
	-5	+320	+600	+910	+1220
	These figures are set out in Table 2.1 of Budget 2014 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside the Budget. The changes covered by this TIIN primarily affect pension withdrawals in 2014-15. From 2015-16 these rules are largely superseded by the pensions flexibility reforms described in the consultation document 'Freedom and Choice in Pensions', the estimated exchequer impact of which is also included in the line above.				
Economic impact	This measure may result in a shift in households' portfolio composition towards other financial and non-financial assets.				
Impact on individuals and households	HMRC estimates that as a result of these changes over 400,000 individuals will be able to withdraw their pension wealth more flexibly if they wish to do so.				
Equalities impacts	Increases to the small pot and trivial commutation limits are likely to benefit women proportionately more than men, as they are more likely to have smaller pension wealth. Reducing the minimum income requirement for flexible drawdown will have a disproportionate impact on women, as they are less likely to have a large pension pot than men. The proposal to increase the capped drawdown limit is not likely to impact on groups with protected characteristics. The changes to drawdown will benefit those over the age of 55, and the changes to the small pot and trivial commutation limits will benefit those over the age of 60.				
Impact on business including civil society organisations	The changes to the capped drawdown limit will require pension scheme administrators to recalculate the total annual drawdown income that may be withdrawn for some individuals who have already had their limits calculated for their next withdrawal period.				

	The Government also anticipate an increase in the number of contacts that pension schemes and/or drawdown providers will have to deal with from individuals contacting them to discuss how these changes affect them. The changes to allow pensions to be paid from a different scheme to the PCLS will require new information to be passed from the scheme administrator that paid the PCLS to the one that is going to pay the pension, to ensure that HMRC and the member can receive the correct information at the right time about the intended PCLS As a result, pension scheme administrators may incur negligible one-off compliance costs. Overall, this measure is expected to have a negligible impact on businesses and civil society organisations.
Operational impact (£m) (HMRC or other)	There will be additional costs for HMRC to deal with end of year tax reconciliations for some individuals taking lump sums. These are estimated to be up to £1.5 million for staff resources over a five year period.
Other impacts	Small and micro business assessment: the impact on small and micro businesses has been considered. As the changes are intended to provide individuals with greater flexibility in how they take their pension benefits, it would not be appropriate for the measure to apply differently according to the size of the firm. Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be kept under review through regular communication with affected taxpayer groups.

Further advice

If you have any questions about the policy rationale for this change, please contact HM Treasury on email: Pensions.Consultation2014@hmtreasury.gsi.gov.uk. For questions on the operation of the legislation, please contact Samantha Skill on 03000 564149 or Neeta Ruparelia on 03000 564289 (email: Pensions.policy@hmrc.gsi.gov.uk).

Declaration

David Gauke MP, Exchequer Secretary to the Treasury, has read this Tax Information and Impact Note and is satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impacts of the measure.