

Amendment 134 to Clause 22 and Schedule 5: Pension flexibility

Summary

1. This amendment ensures that the amount of shortfall in funds in a promised uncrystallised funds lump sum death benefit in a cash balance arrangement will be valued immediately after the member's death. The change has effect for uncrystallised funds lump sum death benefits paid on the day after Royal Assent to Finance Bill 2016.

Details of the amendment

2. Amendment 134 amends paragraph 15 of Schedule 29 to Finance Act 2004 which defines the terms under which a payment is an uncrystallised funds lump sum death benefit. The amendment ensures that if an employer tops up any shortfall in funds in a cash balance arrangement in order to pay an uncrystallised funds lump sum death benefit after the member's death, the top-up will be an authorised payment to the extent that it does not exceed the shortfall. This clarifies the position.

Background note

3. Paragraph 10 of Schedule 5 makes the tax system fairer by allowing employers to top-up the amount of any shortfall in funds in a promised uncrystallised funds lump sum death benefit in a cash balance arrangement at the time of the member's death, without the recipient of the lump sum incurring an unauthorised payment charge on the part of the lump sum funded by the top-up.
4. This amendment ensures that when calculating the amount of the top-up that can be used to pay such an authorised lump sum death benefit, the sums and assets held to meet the liability to pay the uncrystallised funds lump sum death benefit are valued immediately after the member's death. This clarifies precisely when the sums and assets should be valued.