

No.

INCOME TAX

The Finance Act 2004 (Registered Pension Scheme and Annual Allowance Charge) Order 2026

Made - - - - *******

Laid before Parliament *******

Coming into force

The Treasury make this Order in exercise of the powers conferred by section 238A of the Finance Act 2004(a).

Citation and effect

1. This Order may be cited as the Finance Act 2004 (Registered Pension Scheme and Annual Allowance Charge) Order 2026 and has effect for the tax year 2027/28 and subsequent tax years.

Amendment of the Finance Act 2004

2. Part 4 of the Finance Act 2004 (pensions etc) (“FA 2004”) is amended as follows.

Amendment of section 230 FA 2004

3.—(1) In section 230 (annual allowance charge: calculation of pension input amount for cash balance arrangements)(b)—

(2) After subsection (5BC) insert—

“(5BD) If GMP conversion is effected in relation to the arrangement during the pension input period, the value of the converted rights is to be disregarded in determining under subsection (5B) the amount of any increase in the value of the relevant rights of the individual under the arrangement during the period.

(5BE) In subsection (5BD) “the converted rights” means the relevant rights of the individual under the arrangement that are attributable to—

- (a) the GMP conversion, or
- (b) the rectification of discrimination between men and women in connection with the guaranteed minimum pension.

(a) 2004 c. 12. Section 238A was inserted by paragraph 17 of Schedule 17 to the Finance Act 2011 (c. 11). References in these footnotes to “FA” followed by a year are to a Finance Act of that year.

(b) Subsection (5BC) (amongst other provisions) was inserted by S.I. 2015/80. Subsection (5C) (amongst other provisions) was inserted by paragraph 7 of Schedule 17 to FA 2011 and was amended by S.I. 2015/80.

(5BF) If GMP conversion is effected in relation to the arrangement at any time before the pension input period, any increase in the value of the relevant rights of the individual under the arrangement during the period that is attributable to the GMP conversion is to be disregarded for the purposes of subsection (5B).

(5BG) For the purposes of subsections (5BD) to (5BF), rights of the individual under the arrangement are not to be regarded as “attributable” to the GMP conversion if they were conferred as part of an arrangement the main purpose (or one of main purposes) of which was the avoidance of tax.”.

(3) In subsection (5C), before the definition of “guaranteed minimum pension” insert—

““GMP conversion” has the meaning given by section 24A(1) of the Pension Schemes Act 1993(a) or section 20A(1) of the Pension Schemes (Northern Ireland) Act 1993(b), as applicable;”.

Amendment of section 234 FA 2004

4.—(1) In section 234 (annual allowance charge: calculation of pension input amount for defined benefits arrangements)(c)—

(2) after subsection (5BE) insert—

“(5BF) If GMP conversion is effected in relation to the arrangements during the pension input period, the value of the converted rights is to be disregarded in determining under subsection (5B) the amount of any increase in the value of the relevant rights of the individual under the arrangement during the period.

(5BG) In subsection (5BF) “the converted rights” means the relevant rights of the individual under the arrangement that are attributable to—

- (a) the GMP conversion, or
- (b) the rectification of discrimination between men and women in connection with the guaranteed minimum pension.

(5BH) If GMP conversion is effected in relation to the arrangement at any time before the pension input period, any increase in the value of the relevant rights of the individual under the arrangement during the period that is attributable to the GMP conversion is to be disregarded for the purposes of subsection (5B).

(5BI) For the purposes of subsections (5BF) to (5BH), rights of the individual under the arrangement are not to be regarded as “attributable” to the GMP conversion if they were conferred as part of an arrangement the main purpose (or one of the main purposes) of which was the avoidance of tax.”.

(3) In subsection (5C), after the definition of “CPI percentage” insert—

““GMP conversion” has the meaning given by section 24A(1) of the Pension Schemes Act 1993 or section 20A(1) of the Pension Schemes (Northern Ireland) Act 1993, as applicable;”.

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- (a) 1993 c. 48. Section 24A was inserted by section 14(3) of the Pensions Act 2007 (c. 22). The existing section 24A was renumbered as section 24A(1) and (2) and was inserted by paragraph 20 of Schedule 13 to the Pensions Act 2014 (c. 19).
 - (b) 1993 c. 49. Section 20A was inserted by section 12(3) of the Pensions Act (Northern Ireland) 2008 (c. 1). The existing section 20A was renumbered as section 20A(1) and (2) and was inserted by paragraph 20 of Schedule 13 to the Pensions Act (Northern Ireland) 2015 (c. 5).
 - (c) Subsection (5BE) (amongst other provisions) was inserted by S.I. 2015/80 and subsection (5C) (amongst other provisions) was inserted by paragraph 10 of Schedule 17 to FA 2011.

EXPLANATORY NOTE

(This note is not part of the Order)

This Order amends the Finance Act 2004 (c. 12) (“FA 2004”) to make provision about the calculation of pension input amounts where there has been a guaranteed minimum pension conversion (“GMP conversion”).

Article 3 of this Order amends section 230 of FA 2004, which makes provision as to the pension input amount in respect of cash balance arrangements for the purposes of the annual allowance charge. It inserts new sub-sections (5BD) - (5BG) which require any increase in the value of an individual’s pension rights as the result of GMP conversion to be disregarded (insofar as the conversion rectifies sex discrimination in relation to those pension rights), unless the rights were conferred as part of an arrangement which had tax avoidance as one of its main purposes.

Article 4 of this Order amends section 234 of FA 2004, which makes provision as to the pension input amount in respect of defined benefit arrangements for the purposes of the annual allowance charge. It inserts new sub-sections (5BF) - (5BI) which require any increase in the value of an individual’s pension rights as the result of GMP conversion to be disregarded (insofar as the conversion rectifies sex discrimination in relation to those pension rights) unless the rights were conferred as part of an arrangement which had tax avoidance as one of its main purposes.

Articles 3(3) and 4(3) insert a new sub-section (5C), respectively, into each of sections 230 and 234 to provide a definition of “GMP conversion”, which takes its meaning from the Pension Schemes Act 1993 (c. 48) or the Pension Schemes (Northern Ireland) Act 1993 (c. 49), as applicable.

A Tax Information and Impact Note will be published on the HM Government website at <https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins>.