

SCHEDULES

SCHEDULE 18

Section 67

LIFETIME ALLOWANCE CHARGE

PART 1

AMENDMENTS

- 1 Part 4 of FA 2004 (pension schemes etc) is amended as follows.
- 2 (1) Section 218 (individual's lifetime allowance and standard lifetime allowance) is amended as follows.
- (2) For subsections (2) and (3) substitute—
- “(2) The standard lifetime allowance for the tax year 2012-13 and, subject to subsection (3), subsequent tax years is £1,500,000.
- (3) The Treasury may by order provide that the standard lifetime allowance for any tax year subsequent to the tax year 2012-13 is such amount, not being less than the standard lifetime allowance for the immediately preceding tax year, as is specified in the order.”
- (3) After subsection (5) insert—
- “(5A) Where the operation of a lifetime allowance enhancement factor is provided for by any of sections 220, 222, 223 and 224 and the time mentioned in the definition of SLA in the section concerned was before 6 April 2012, subsection (4) has effect as if the amount to be multiplied by LAEF were £1,800,000 (the standard lifetime allowance for the tax year 2011-12) if that is greater than SLA.
- (5B) Where the operation of a lifetime allowance enhancement factor is provided for by paragraph 7 of Schedule 36, subsection (4) has effect as if SLA were £1,800,000 (the standard lifetime allowance for the tax year 2011-12) if that is greater than SLA.
- (5C) Where benefit crystallisation event 7 occurs on or after 6 April 2012 by reason of the payment of a relevant lump sum death benefit in respect of the death of the individual before that date, the standard lifetime allowance at the time of the benefit crystallisation event is £1,800,000 (the standard lifetime allowance for the tax year 2011-12).”
- 3 Schedule 29 (authorised lump sums) is amended as follows.
- 4 (1) Paragraph 7 (trivial commutation lump sum) is amended as follows.
- (2) In sub-paragraph (4), for “1% of the standard lifetime allowance on the nominated date.” substitute “£18,000.”

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- (3) After that sub-paragraph insert—
- “(4A) The Treasury may by order substitute for the amount for the time being specified in sub-paragraph (4) such larger amount as is specified in the order.”
- 5 (1) Paragraph 10 (winding-up lump sum) is amended as follows.
- (2) In sub-paragraph (2), for “1% of the standard lifetime allowance when the lump sum is paid,” substitute “£18,000.”
- (3) After that sub-paragraph insert—
- “(2A) The Treasury may by order substitute for the amount for the time being specified in sub-paragraph (2) such larger amount as is specified in the order.”
- 6 (1) Paragraph 20 (trivial commutation lump sum death benefit) is amended as follows.
- (2) In sub-paragraph (2), for “1% of the standard lifetime allowance on the date the lump sum is paid,” substitute “£18,000.”
- (3) After that sub-paragraph insert—
- “(3) The Treasury may by order substitute for the amount for the time being specified in sub-paragraph (2) such larger amount as is specified in the order.”
- 7 (1) Paragraph 21 (winding-up lump sum death benefit) is amended as follows.
- (2) In sub-paragraph (2), for “1% of the standard lifetime allowance on the date the lump sum is paid,” substitute “£18,000.”
- (3) After that sub-paragraph insert—
- “(3) The Treasury may by order substitute for the amount for the time being specified in sub-paragraph (2) such larger amount as is specified in the order.”
- 8 Schedule 36 (transitional provision) is amended as follows.
- 9 In paragraph 16(3), for “standard lifetime allowance when the first relevant event occurs.” substitute “underpinned lifetime allowance when the first relevant event occurs; and “the underpinned lifetime allowance” is the greater of the current standard lifetime allowance and £1,800,000 (the standard lifetime allowance for the tax year 2011-12).”
- 10 (1) Paragraph 28(3) is amended as follows.
- (2) In the sub-paragraphs (6A) and (7) treated as substituted—
- (a) in the formula, for “CSLA” substitute “ULA”, and
- (b) for the definition of CSLA substitute—
- “ULA is the underpinned lifetime allowance, and”.
- (3) After the sub-paragraph (7) treated as substituted insert—
- “(7A) The underpinned lifetime allowance” is the greater of the current standard lifetime allowance and £1,800,000 (the standard lifetime allowance for the tax year 2011-12).”

- 11 (1) Paragraph 34(2) is amended as follows.
- (2) In the sub-paragraph (5) treated as substituted, for “CSLA” substitute “ULA”.
- (3) In the sub-paragraph (7) treated as substituted, for the definition of CSLA substitute—
“ULA is the underpinned lifetime allowance.”
- (4) After the sub-paragraph (7A) treated as substituted insert—
“(7AZA) The underpinned lifetime allowance” is the greater of the current standard lifetime allowance and £1,800,000 (the standard lifetime allowance for the tax year 2011-12).”
- 12 In the Registered Pension Schemes (Standard Lifetime and Annual Allowances) Order 2010 (S.I. 2010/922), omit article 2.

PART 2

COMMENCEMENT AND TRANSITIONAL PROVISION

- 13 The amendments made by Part 1 have effect for the tax year 2012-13 and subsequent tax years.
- 14 (1) This paragraph applies on and after 6 April 2012 in the case of an individual—
(a) who has one or more arrangements under a registered pension scheme on that date,
(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, and
(c) in relation to whom paragraph 12 of that Schedule (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.
- (2) The Commissioners for Her Majesty’s Revenue and Customs may make regulations specifying how notice is to be given.
- (3) 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 £1,800,000 (the standard lifetime allowance for the tax year 2011-12).
- (4) But this paragraph ceases to apply if on or after 6 April 2012—
(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.
- (5) For the purposes of sub-paragraph (4)(a) there is benefit accrual in relation to the individual under an arrangement—

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- (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 2012,
 - (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-paragraph (12)), and
 - (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 2012, 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-paragraph (12)).
- (6) For the purposes of sub-paragraphs (5)(b) and (c)(ii) and (12) 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.
- (7) For the purposes of sub-paragraph (6)(b) “the benefits amount” is—

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

where—

LS is the annual rate of 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.

- (8) Paragraph 17A of Schedule 36 to FA 2004 (impermissible transfers) applies for the purposes of sub-paragraph (4)(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 2012.
- (9) 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 (4)(c); and where there is a permitted transfer—

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- (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.
- (10) Sub-paragraphs (2A) to (2C) of paragraph 12 of Schedule 36 to FA 2004 (“permitted circumstances”) apply for the purposes of sub-paragraph (4)(d).
- (11) Paragraph 14 of Schedule 36 to FA 2004 (when a relevant contribution is paid under an arrangement) applies for the purposes of sub-paragraph (5)(a).
- (12) Increases in the value of the individual’s rights under an arrangement are to be ignored for the purposes of sub-paragraph (5)(b) or (c)(ii) if in no tax year do they exceed the relevant percentage.
- (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, that percentage (or, where more than one arrangement does so the higher or highest of the percentages so specified), and
 - (b) otherwise, 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 period of 12 months (or nil per cent if it is not higher).
- (14) In sub-paragraph (13)(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.
- (15) Regulations under sub-paragraph (2) may include supplementary or incidental provision.
- (16) The power to make regulations under sub-paragraph (2) is exercisable by statutory instrument.
- (17) A statutory instrument containing regulations under sub-paragraph (2) is subject to annulment in pursuance of a resolution of the House of Commons.
- (18) Expressions used in this paragraph and Part 4 of FA 2004 have the same meaning in this paragraph as in that Part.