
Changes to legislation: There are currently no known outstanding effects for the Taxation of Pensions Act 2014, Part 1. (See end of Document for details)

SCHEDULES

SCHEDULE 2

DEATH OF PENSION SCHEME MEMBER

PART 1

DEATH BENEFITS: NOMINEES AND SUCCESSORS

Drawdown benefits for nominees and successors of deceased scheme members

- 1 FA 2004 is amended as follows.
- 2 (1) Section 167 (the pension death benefit rules) is amended as follows.
- (2) In pension death benefit rule 1 (pension death benefit may be paid only to dependant of deceased member) after “dependant” insert “, or nominee or successor,”.
- (3) After pension death benefit rule 3 (pension death benefits which may be paid under a money purchase arrangement to a dependant) insert—
- “Pension death benefit rule 3A* No payment of pension death benefit, other than nominees' drawdown pension in respect of a money purchase arrangement, may be made to a nominee of the member.
- Pension death benefit rule 3B* No payment of pension death benefit, other than successors' drawdown pension in respect of a money purchase arrangement, may be made to a successor of the member.”
- (4) After subsection (1) insert—
- “(1A) For the purposes of this Part, a person becomes entitled to dependants' income withdrawal, nominees' income withdrawal or successors' income withdrawal under a registered pension scheme whenever sums or assets held for the purposes of an arrangement under the pension scheme are designated as available for the payment of (as the case may be) dependants' drawdown pension, nominees' drawdown pension or successors' drawdown pension.”
- (5) In subsection (2) (meaning of “pension death benefit”) after “see section 165)” insert “, or a pension payable in respect of the member on the subsequent death of a dependant, nominee or successor of the member ”.
- 3 (1) In Part 2 of Schedule 28 (interpretation of the pension death benefit rules) at the end insert—

“Meaning of “nominee”

- 27A (1) “Nominee of the member” means an individual—
- (a) nominated by the member, or

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- (b) nominated by the scheme administrator,
who is not a dependant of the member, but see sub-paragraph (2).
- (2) In relation to any particular benefits under an arrangement, no individual nominated by the scheme administrator counts as a nominee of the member at any time when there is—
 - (a) a dependant of the member, or
 - (b) an individual, or charity, nominated by the member in relation to the benefits.
- (3) The reference in sub-paragraph (2)(b) to being nominated in relation to particular benefits under an arrangement includes—
 - (a) a reference to being nominated in relation to the scheme,
 - (b) a reference to being nominated in relation to arrangements that include the arrangement,
 - (c) a reference to being nominated in relation to the arrangement, and
 - (d) a reference to being nominated in relation to benefits that include the particular benefits.

Nominees' drawdown pension

- 27B “Nominees' drawdown pension” means—
- (a) a nominees' short-term annuity, or
 - (b) nominees' income withdrawal.

Nominees' short-term annuity

- 27C (1) For the purposes of this Part an annuity payable to a nominee is a nominees' short-term annuity if—
- (a) it is purchased by the application of sums or assets representing the whole or any part of the nominee's flexi-access drawdown fund in respect of an arrangement,
 - (b) it is payable by an insurance company,
 - (c) the nominee becomes entitled to it on or after 6 April 2015, and
 - (d) it is payable for a term which does not exceed five years and ends before the nominee dies.
- (2) The Commissioners for Her Majesty's Revenue and Customs may by regulations make provision in relation to cases in which a nominees' short-term annuity payable to a person (“the original nominees' short-term annuity”) ceases to be payable and in consequence of that—
- (a) sums or assets (or both) are transferred from the insurance company to another insurance company and are applied—
 - (i) towards the provision of another nominees' short-term annuity (a “new nominees' short-term annuity”) by the other insurance company, or
 - (ii) otherwise, or
 - (b) sums or assets are transferred to the relevant registered pension scheme.

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- (3) The regulations may provide that—
- (a) in a case where a new nominees' short-term annuity becomes payable, the new nominees' short-term annuity is to be treated, to such extent as is prescribed by the regulations and for such of the purposes of this Part as are so prescribed, as if it were the original nominees' short-term annuity, and
 - (b) in any other case, the relevant registered pension scheme is to be treated as making an unauthorised payment in respect of the member of an amount equal to the aggregate of the sums, and the market value of the assets, transferred.
- (4) For the purposes of sub-paragraphs (2) and (3) a registered pension scheme is the relevant registered pension scheme if the original nominees' short-term annuity was acquired using sums or assets held for the purposes of the pension scheme.

Nominees' income withdrawal

- 27D “Nominees' income withdrawal” means an amount (other than an annuity) which the nominee is entitled to be paid from the nominee's flexi-access drawdown fund in respect of an arrangement.

Nominee's flexi-access drawdown fund

- 27E (1) For the purposes of this Part a nominee's flexi-access drawdown fund in respect of an arrangement consists of such of the sums or assets held for the purposes of the arrangement as are newly-designated nominee funds.
- (2) For the purposes of this Part sums or assets held for the purposes of an arrangement are newly-designated nominee funds if—
- (a) they—
 - (i) have, at any time on or after 6 April 2015, been designated under the arrangement as available for the payment of nominees' drawdown pension, and
 - (ii) were, immediately before being so designated, unused drawdown funds or unused uncrystallised funds, or
 - (b) they arise, or (directly or indirectly) derive, from newly-designated nominee funds under paragraph (a) or from sums or assets which so arise or derive.
- (3) Sums or assets held for the purposes of an arrangement after the member's death are unused drawdown funds if—
- (a) immediately before the member's death, they were held for the purposes of the arrangement and represented (whether alone or with other sums or assets) the member's flexi-access drawdown fund, or drawdown pension fund, in respect of the arrangement, or
 - (b) they arise, or (directly or indirectly) derive, from unused drawdown funds under paragraph (a) or from sums or assets which so arise or derive.

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- (4) In the case of a cash balance arrangement, sums or assets held for the purposes of the arrangement after the member's death are unused uncrystallised funds if—
- (a) they represent the whole or any part of the sum that would have been available immediately before the member's death for the provision of benefits to or in respect of the member if entitlement had arisen immediately before the member's death to all benefits under the arrangement to which entitlement had not previously arisen, and
 - (b) since the member's death they have not been designated as available for the payment of dependants' drawdown pension, not been designated as available for the payment of nominees' drawdown pension, not been applied towards the provision of a dependants' annuity and not been applied towards the provision of a dependants' scheme pension.
- (5) In the case of any other money purchase arrangement, sums or assets held for the purposes of the arrangement after the member's death are unused uncrystallised funds if—
- (a) immediately before the member's death they were held for the purposes of the arrangement and at that time—
 - (i) were not member-designated funds,
 - (ii) were not newly-designated funds,
 - (iii) had not been applied towards the provision of a scheme pension, and
 - (iv) had not been applied towards the provision of a dependants' scheme pension, or
 - (b) they arise, or (directly or indirectly) derive, from unused uncrystallised funds under paragraph (a) or from sums or assets which so arise or derive,

and since the member's death they have not been designated as available for the payment of dependants' drawdown pension, not been designated as available for the payment of nominees' drawdown pension, not been applied toward the provision of a dependants' annuity and not been applied toward the provision of a dependants' scheme pension.

Meaning of “successor”

- 27F (1) “Successor of the member” means an individual—
- (a) nominated by a dependant of the member,
 - (b) nominated by a nominee of the member,
 - (c) nominated by a successor of the member, or
 - (d) nominated by the scheme administrator,
- but see sub-paragraph (2).
- (2) In relation to any particular benefits under an arrangement relating to a dependant, nominee or successor of the member (“the beneficiary”) in that capacity, no individual nominated by the scheme administrator counts as a successor of the member at any time after the beneficiary's

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death when there is an individual, or charity, nominated by the beneficiary in relation to the benefits.

- (3) A reference in sub-paragraph (2) to being nominated in relation to particular benefits under an arrangement includes—
- (a) a reference to being nominated in relation to the scheme,
 - (b) a reference to being nominated in relation to arrangements that include the arrangement,
 - (c) a reference to being nominated in relation to the arrangement, and
 - (d) a reference to being nominated in relation to benefits that include the particular benefits.
- (4) Where a successor of the member is an individual who is also a dependant of the member, the individual in the capacity of a successor of the member is to be treated as not also being a dependant of the member.

Successors' drawdown pension

27G “Successors' drawdown pension” means—

- (a) a successors' short-term annuity, or
- (b) successors' income withdrawal.

Successors' short-term annuity

27H (1) For the purposes of this Part an annuity payable to a successor is a successors' short-term annuity if—

- (a) it is purchased by the application of sums or assets representing the whole or any part of the successor's flexi-access drawdown fund in respect of an arrangement,
- (b) it is payable by an insurance company,
- (c) the successor becomes entitled to it on or after 6 April 2015, and
- (d) it is payable for a term which does not exceed five years and ends before the successor dies.

(2) The Commissioners for Her Majesty's Revenue and Customs may by regulations make provision in relation to cases in which a successors' short-term annuity payable to a person (“the original successors' short-term annuity”) ceases to be payable and in consequence of that—

- (a) sums or assets (or both) are transferred from the insurance company to another insurance company and are applied—
 - (i) towards the provision of another successors' short-term annuity (a “new successors' short-term annuity”) by the other insurance company, or
 - (ii) otherwise, or
- (b) sums or assets are transferred to the relevant registered pension scheme.

(3) The regulations may provide that—

- (a) in a case where a new successors' short-term annuity becomes payable, the new successors' short-term annuity is to be treated, to such extent as is prescribed by the regulations and for such

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of the purposes of this Part as are so prescribed, as if it were the original successors' short-term annuity, and

- (b) in any other case, the relevant registered pension scheme is to be treated as making an unauthorised payment in respect of the member of an amount equal to the aggregate of the sums, and the market value of the assets, transferred.

- (4) For the purposes of sub-paragraphs (2) and (3) a registered pension scheme is the relevant registered pension scheme if the original successors' short-term annuity was acquired using sums or assets held for the purposes of the pension scheme.

Successors' income withdrawal

- 27J “Successors' income withdrawal” means an amount (other than an annuity) which the successor is entitled to be paid from the successor's flexi-access drawdown fund in respect of an arrangement.

Successor's flexi-access drawdown fund

- 27K (1) For the purposes of this Part a successor's flexi-access drawdown fund in respect of an arrangement consists of such of the sums or assets held for the purposes of the arrangement as are newly-designated successor funds.
- (2) For the purposes of this Part sums or assets held for the purposes of an arrangement are newly-designated successor funds if—
 - (a) they—
 - (i) have, at any time on or after 6 April 2015, been designated under the arrangement as available for the payment of successors' drawdown pension, and
 - (ii) were, immediately before being so designated, unused drawdown funds of the same deceased dependant, nominee or successor of the member, or
 - (b) they arise, or (directly or indirectly) derive, from newly-designated successor funds under paragraph (a) or from sums or assets which so arise or derive.
- (3) Sums or assets held for the purposes of an arrangement after the death of a dependant, nominee or successor (“the beneficiary”) are unused drawdown funds of the beneficiary's if—
 - (a) immediately before the beneficiary's death, they were held for the purposes of the arrangement and represented (whether alone or with other sums or assets) the beneficiary's—
 - (i) dependant's flexi-access drawdown fund,
 - (ii) dependant's drawdown pension fund,
 - (iii) nominee's flexi-access drawdown fund, or
 - (iv) successor's flexi-access drawdown fund,
 in respect of the arrangement, or
 - (b) they arise, or (directly or indirectly) derive, from unused drawdown funds of the beneficiary's under paragraph (a) or from sums or assets which so arise or derive.”

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- (2) The provisions inserted by sub-paragraph (1) have effect even in relation to cases where the member concerned, or any dependant concerned, dies before 6 April 2015.

Nominees and successors: further drawdown amendments

- 4 In section 169(1D) (regulations about transfers of drawdown funds) after paragraph (aa) (which is inserted by this Act) insert “or
(ab) a nominee's flexi-access drawdown fund, or
(ac) a successor's flexi-access drawdown fund,”.
- 5 In section 172(1)(a) (assignment of rights or benefits) after “dependant” insert “, nominee or successor”.
- 6 In section 172A(1)(a) (surrender of rights or benefits) after “dependant” insert “, nominee or successor”.
- 7 In section 172A(5) (exceptions to provisions on surrender: entitlement to benefits)
—
(a) in paragraph (b) after “dependant” insert “, or nominee,”,
(b) after paragraph (b) insert—
 “(ba) a surrender (or agreement to surrender) by a dependant, nominee or successor of the member (“the beneficiary”) in return for the conferring, on a successor of the member, of an entitlement to benefits after the beneficiary's death,”
 and
(c) in paragraph (c) for “or dependant” substitute “, dependant, nominee or successor”.
- 8 In section 172A(5A) (further provision on surrender exceptions)—
(a) after “dependant”, in the first place it occurs, insert “, or nominee,” and
(b) after “dependant”, in the second place it occurs, insert “ or nominee”.
- 9 In section 172A after subsection (5A) insert—
 “(5B) Subsection (5)(ba) applies only if the entitlement is held (or is to be held) by the successor under an arrangement under the pension scheme relating to the beneficiary or successor.”
- 10 In section 172A(7) (exceptions to provisions on surrender: prospective entitlements)—
(a) in the opening words after “dependant” insert “ or nominee or successor”, and
(b) in paragraph (a) after “dependant” insert “, or nominee or successor,”.
- 11 In section 172B(2) (rights of a “relevant member”)—
(a) in paragraph (a) after “dependant” insert “ or nominee or successor”, and
(b) after paragraph (aa) insert—
 “(ab) rights representing the nominee's flexi-access drawdown fund or successor's flexi-access drawdown fund in respect of an arrangement under the pension scheme,”.
- 12 In section 172B(7A) (section does not apply to certain increases in rights) before “dependant's drawdown pension fund” (in both places) insert “ nominee's flexi-access drawdown fund, successor's flexi-access drawdown fund,”.

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- 13 In section 182(3) (value of arrangement for purposes of borrowing limits) after paragraph (b) insert—
- “(ba) the amount of such of the sums and the market value of such of the assets as represent nominees' flexi-access drawdown funds in respect of the arrangement (if any),
 - (bb) the amount of such of the sums and the market value of such of the assets as represent successors' flexi-access drawdown funds in respect of the arrangement (if any),”.

- 14 In section 280(2) (index of defined expressions) at the appropriate places insert—

“dependant (of a member of a registered pension scheme) paragraph 15 of Schedule 28”

“nominee (of a member of a registered pension scheme) paragraph 27A of Schedule 28”

“nominees' drawdown pension paragraph 27B of Schedule 28”

“nominee's flexi-access drawdown fund paragraph 27E of Schedule 28”

“nominees' income withdrawal paragraph 27D of Schedule 28”

“nominees' short-term annuity paragraph 27C of Schedule 28”

“successor (of a member of a registered pension scheme) paragraph 27F of Schedule 28”

“successors' drawdown pension paragraph 27G of Schedule 28”

“successor's flexi-access drawdown fund paragraph 27K of Schedule 28”

“successors' income withdrawal paragraph 27J of Schedule 28”

“successors' short-term annuity paragraph 27H of Schedule 28”

Nomination of charities by nominees and successors of deceased scheme members

- 15 (1) Paragraph 18 of Schedule 29 (charity lump sum death benefit) is amended as follows.

- (2) After sub-paragraph (2) insert—

“(2A) A lump sum death benefit is also a charity lump sum death benefit if—

- (a) it is paid on the death of an individual who is—
 - (i) a nominee of the member, or
 - (ii) a successor of the member,
- (b) there are no dependants of the member,

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- (c) it is paid in respect of the individual's nominee's flexi-access drawdown fund or successor's flexi-access drawdown fund at the date of the individual's death in respect of an arrangement relating to the individual in the capacity of a nominee or successor of the member, and
 - (d) it is paid to a charity nominated by the member or, if the member made no nomination, by the individual.”
- (3) In sub-paragraph (3) (cases where lump sum exceeds the permitted maximum) for “or (2)” substitute “, (2) or (2A) ”.
- (4) In sub-paragraph (4) (meaning of “permitted maximum”) after “arrangement” insert “, or the nominee's or successor's flexi-access drawdown fund in respect of the arrangement, ”.

Related amendments in regulations

- 16 (1) Regulation 12 of the Registered Pension Schemes (Transfer of Sums and Assets) Regulations 2006 (S.I. 2006/499) (drawdown funds—recognised transfers) is amended as follows.
- (2) In the heading before “—recognised” insert “ and nominee's flexi-access drawdown fund and successor's flexi-access drawdown fund ”.
 - (3) In paragraph (1) (transfer recognised only if transferred items are only items held under arrangement to which transfer made) before “member's drawdown pension fund” insert “ nominee's flexi-access drawdown fund, successor's flexi-access drawdown fund, ”.
 - (4) The amendments made by this paragraph—
 - (a) come into force on 6 April 2015, and
 - (b) are 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 169(1D) and (1E) of FA 2004 (as amended by this Schedule).

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