



Finance Act 2004

2004 CHAPTER 12

PART 4

PENSION SCHEMES ETC

CHAPTER 5

REGISTERED PENSION SCHEMES: TAX CHARGES

Modifications etc. (not altering text)

- C9** Pt. 4 applied (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), [Sch. 35 para. 18](#)
C10 Pt. 4 modified (19.7.2011) by [Finance Act 2011 \(c. 11\)](#), [Sch. 18 para. 14\(3\)](#)

Charges on authorised payments

204 Authorised pensions and lump sums

- (1) Schedule 31 contains provision about the taxation of pensions and lump sums which are authorised to be paid by this Part.
- (2) Schedule 36 contains (in Part 4) transitional provision about the taxation of annuities under existing retirement annuity contracts and other relevant transitional provision.

Commencement Information

- II** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

Changes to legislation: Finance Act 2004, Chapter 5 is up to date with all changes known to be in force on or before 04 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

205 Short service refund lump sum charge

- (1) A charge to income tax, to be known as the short service refund lump sum charge, arises where a short service refund lump sum is paid by a registered pension scheme.
- (2) The person liable to the short service refund lump sum charge is the scheme administrator.
- (3) The scheme administrator is liable to the short service refund lump sum charge whether or not—
 - (a) the scheme administrator, and
 - (b) the person to whom the short service refund lump sum is paid,
 are resident^{F1}... or domiciled in the United Kingdom.
- (4) The rate of the charge is—
 - (a) 20% in respect of so much of the lump sum as does not exceed [^{F2}£20,000], and
 - (b) [^{F3}50%] in respect of so much (if any) of it as exceeds that limit.
- (5) The Treasury may by order amend subsection (4) so as to—
 - (a) increase or decrease either or both of the rates for the time being specified in that subsection, or
 - (b) increase the limit for the time being specified in paragraph (a) of that subsection.
- (6) Tax under this section is to be charged on the amount of the lump sum paid or, if the rules of the pension scheme permit the scheme administrator to deduct the tax before payment, on the amount of the lump sum before deduction of tax.
- (7) A short service refund lump sum is not to be treated as income for any purpose of the Tax Acts.

Textual Amendments

- F1** Words in s. 205(3) omitted (with effect in accordance with Sch. 46 para. 132 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 46 para. 121](#)
- F2** Sum in s. 205(4)(a) substituted (24.3.2010 with effect for the tax year 2010-11 and subsequent tax years) by [The Taxation of Pensions Schemes \(Rates, etc\) Order 2010 \(S.I. 2010/536\)](#), [arts. 1, 3\(2\)](#)
- F3** Percentage in s. 205(4)(b) substituted (24.3.2010 with effect for the tax year 2010-11 and subsequent tax years) by [The Taxation of Pensions Schemes \(Rates, etc\) Order 2010 \(S.I. 2010/536\)](#), [arts. 1, 3\(3\)](#)

Modifications etc. (not altering text)

- C16** S. 205 modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), [Sch. 3 Pt. 1](#)
- C17** S. 205 applied by 2003 c. 1, s. 636A(3) (as inserted (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), [Sch. 31 para. 11](#) (with [Sch. 36](#)))

Commencement Information

- I2** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

Changes to legislation: Finance Act 2004, Chapter 5 is up to date with all changes known to be in force on or before 04 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

^{F4}205A Serious ill-health lump sum charge

.....

Textual Amendments

- F4** S. 205A omitted (with effect in accordance with Sch. 5 para. 4 of the amending Act) by virtue of Finance Act 2016 (c. 24), Sch. 5 para. 1(2)

206 Special lump sum death benefits charge

- (1) A charge to income tax, to be known as the special lump sum death benefits charge, arises where—

- (a) a pension protection lump sum death benefit,
- (b) an annuity protection lump sum death benefit, ^{F5}...
- ^{F6}(c) a drawdown pension fund lump sum death benefit, ^{F7}or
- (d) a flexi-access drawdown fund lump sum death benefit,

is paid ^{F8}, to a non-qualifying person,] by a registered pension scheme ^{F9}in respect of a member who had reached the age of 75 at the date of the member's death].

- ^{F10}(1ZA) In subsection (1) the reference to a member (and to the member's death) are to be read—

- (a) in relation to—
 - (i) a drawdown pension fund lump sum death benefit under paragraph 17(2) of Schedule 29, or
 - (ii) a flexi-access drawdown fund lump sum death benefit under paragraph 17A(2) of Schedule 29,
 as a reference to a dependant (and to the dependant's death),
- (b) in relation to a flexi-access drawdown fund lump sum death benefit under paragraph 17A(3) of Schedule 29, as a reference to a nominee (and to the nominee's death), and
- (c) in relation to a flexi-access drawdown fund lump sum death benefit under paragraph 17A(4) of Schedule 29, as a reference to a successor (and to the successor's death).]

- ^{F11}(1A) The special lump sum death benefits charge also arises where—

- (a) a defined benefits lump sum death benefit, or
- (b) an uncrystallised funds lump sum death benefit,

is paid ^{F12}, to a non-qualifying person,] by a registered pension scheme in respect of a member who had reached the age of 75 at the date of the member's death.]

- ^{F13}(1B) The special lump sum death benefits charge also arises where—

- (a) a lump sum death benefit is paid ^{F14}, to a non-qualifying person,] by a registered pension scheme in respect of a member of the scheme who had not reached the age of 75 at the date of the member's death,
- (b) the lump sum death benefit is—
 - (i) a drawdown pension fund lump sum death benefit under paragraph 17(1) of Schedule 29,
 - (ii) a flexi-access drawdown fund lump sum death benefit under paragraph 17A(1) of Schedule 29,

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- [a defined benefits lump sum death benefit,]or
^{F15}(^(iia))
 (iii) an uncrystallised funds lump sum death benefit, and
- (c) the lump sum death benefit is not paid before the end of the period of two years beginning with the earlier of the day on which the scheme administrator of the scheme first knew of the member's death and the day on which the scheme administrator could first reasonably have been expected to have known of it.
- (1C) The special lump sum death benefits charge also arises where—
- (a) a lump sum death benefit is paid [^{F16}, to a non-qualifying person,] by a registered pension scheme on the death of a dependant, nominee or successor of a deceased member of the scheme,
- (b) the dependant, nominee or successor (“the beneficiary”) had not reached the age of 75 at the date of the beneficiary's death,
- (c) the lump sum death benefit is—
- (i) a drawdown pension fund lump sum death benefit under paragraph 17(2) of Schedule 29, or
- (ii) a flexi-access drawdown fund lump sum death benefit under paragraph 17A(2), (3) or (4) of Schedule 29, and
- (d) the lump sum death benefit is not paid before the end of the period of two years beginning with the earlier of the day on which the scheme administrator of the scheme first knew of the beneficiary's death and the day on which the scheme administrator could first reasonably have been expected to have known of it.]
- (2) The person liable to the special lump sum death benefits charge is the scheme administrator.
- (3) The scheme administrator is liable to the special lump sum death benefits charge whether or not—
- (a) the scheme administrator, and
- (b) the person to whom the lump sum death benefit is paid,
- are resident^{F17}... or domiciled in the United Kingdom.
- (4) The rate of the charge is [^{F18}45%] in respect of the lump sum death benefit.
- (5) The Treasury may by order increase or decrease the rate for the time being specified in subsection (4).
- (6) Tax under this section is to be charged on the amount of the lump sum paid or, if the rules of the pension scheme permit the scheme administrator to deduct the tax before payment, on the amount of the lump sum before deduction of tax.
- [^{F19}(7) A lump sum death benefit in respect of which income tax is charged under this section is not to be treated as income for any purpose of the Tax Acts [^{F20}(but see subsection (8)).]]
- [^{F21}(8) Where—
- (a) a lump sum death benefit in respect of which tax is charged under this section is one paid to a non-qualifying person in the person's capacity as a trustee, and
- (b) a payment of any part of the lump sum is made out of a settlement to a beneficiary who is an individual,
- the amount received by the beneficiary, together with so much of the tax charged under this section on the lump sum as is attributable to the amount received by the

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beneficiary, is income of the beneficiary for income tax purposes but the beneficiary may claim to deduct that much of that tax from the income tax charged on the beneficiary's total income for the tax year in which the payment is made to the beneficiary.

(9) For the purposes of this section, a person is a “non-qualifying person” in relation to payment of a lump sum if—

- (a) the person is not an individual, or
- (b) the person is an individual and the payment is made to the person in the person's capacity as—
 - (i) a trustee or personal representative,
 - (ii) a director of a company,
 - (iii) a partner in a firm, or
 - (iv) a member of a limited liability partnership,

except that a person is not a “non-qualifying person” in relation to payment of a lump sum if the payment is made to the person in the person's capacity as a bare trustee.

(10) In subsection (9)—

“bare trustee” means a person acting as trustee for—

- (a) an individual absolutely entitled as against the trustee,
- (b) two or more individuals who are so entitled,
- (c) an individual who would be so entitled but for being a minor or otherwise lacking legal capacity, or
- (d) two or more individuals who would be so entitled but for all or any of them being a minor or otherwise lacking legal capacity,

“director” is read in accordance with section 452 of CTA 2010, and references to a firm are to be read in the same way as references to a firm in Part 9 of ITTOIA 2005 (which contains special provision about partnerships).]

Textual Amendments

- F5** Word in s. 206(1)(b) omitted (17.12.2014) by virtue of [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 13\(a\)](#)
- F6** S. 206(1)(c) substituted (with effect in accordance with Sch. 16 paras. 85, 103 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 41\(2\)](#)
- F7** S. 206(1)(d) and preceding word inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 13\(b\)](#)
- F8** Words in s. 206(1) inserted (with effect in accordance with s. 21(10) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [s. 21\(2\)](#)
- F9** Words in s. 206(1) inserted (17.12.2014) (with application in accordance with s. 2(5) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [s. 2\(2\)](#)
- F10** S. 206(1ZA) inserted (17.12.2014) (with application in accordance with Sch. 2 para. 20 of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 17\(2\)](#)
- F11** S. 206(1A) inserted (with effect in accordance with Sch. 16 paras. 85, 103 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 41\(3\)](#)
- F12** Words in s. 206(1A) inserted (with effect in accordance with s. 21(10) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [s. 21\(2\)](#)
- F13** S. 206(1B)(1C) inserted (17.12.2014) (with application in accordance with Sch. 2 para. 20 of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 17\(3\)](#)
- F14** Words in s. 206(1B)(a) inserted (with effect in accordance with s. 21(10) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [s. 21\(2\)](#)

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- F15** S. 206(1B)(b)(ia) inserted (with effect in accordance with s. 21(10) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\), s. 21\(3\)](#)
- F16** Words in s. 206(1C)(a) inserted (with effect in accordance with s. 21(10) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\), s. 21\(2\)](#)
- F17** Words in s. 206(3) omitted (with effect in accordance with Sch. 46 para. 132 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\), Sch. 46 para. 123](#)
- F18** Word in s. 206(4) substituted (17.12.2014) (with application in accordance with s. 2(5) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\), s. 2\(3\)](#)
- F19** S. 206(7) substituted (17.12.2014) (with application in accordance with Sch. 2 para. 20 of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\), Sch. 2 para. 17\(4\)](#)
- F20** Words in s. 206(7) inserted (with effect in accordance with s. 21(10) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\), s. 21\(4\)](#)
- F21** S. 206(8)-(10) inserted (with effect in accordance with s. 21(10) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\), s. 21\(5\)](#)

Modifications etc. (not altering text)

- C18** S. 206 modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\), regs. 1\(1\), 3\(1\)\(2\), Sch. 3 Pt. 1](#)
- C19** S. 206 applied by S.R. 1995/95, reg. 89A(10) (as inserted (N.I.) (with effect in accordance with reg. 1(2) of the amending Rule) by [The Health and Personal Social Services \(Superannuation Scheme, Injury Benefits and Additional Voluntary Contributions\) \(Amendment\) Regulations \(Northern Ireland\) 2006 \(S.R. 2006/410\), regs. 1\(2\), 16](#))
- C20** S. 206(1B) modified (6.4.2023) by [The Public Service Pension Schemes \(Rectification of Unlawful Discrimination\) \(Tax\) Regulations 2023 \(S.I. 2023/113\), regs. 1\(2\), 31 \(with reg. 1\(3\)\)](#)

Commencement Information

- I3** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

207 Authorised surplus payments charge

- (1) A charge to income tax, to be known as the authorised surplus payments charge, arises where an authorised surplus payment is made to a sponsoring employer by an occupational pension scheme that is a registered pension scheme.
- (2) The person liable to the authorised surplus payments charge is the scheme administrator.
- (3) The scheme administrator is liable to the authorised surplus payments charge whether or not—
 - (a) the scheme administrator, and
 - (b) the sponsoring employer,
 are resident^{F22} ... or domiciled in the United Kingdom.
- (4) The rate of the charge is 35% in respect of the authorised surplus payment.
- (5) The Treasury may by order increase or decrease the rate for the time being specified in subsection (4).
- (6) Subsection (1) does not apply to any authorised surplus payment—
 - (a) to the extent that (if this section had not been enacted) the sponsoring employer would have been exempt, or entitled to claim exemption, from income tax or corporation tax in respect of it, or

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- (b) if the sponsoring employer is a charity.
- [^{F23}(6A) Subsection (1) does not apply to an authorised surplus payment to the extent that the payment is funded (directly or indirectly) by a surrender of (or an agreement to surrender) benefits or rights which results in the registered pension scheme being treated as making an unauthorised payment under section 172A.
- (6B) Terms used in subsection (6A) which are defined in section 172A have the same meaning as they have in that section.]
- (7) An authorised surplus payment in respect of which income tax is charged under this section is not to be treated as income for any purpose of the Tax Acts.
- (8) Schedule 36 contains (in Part 4) transitional provisions about the authorised surplus payments charge.

Textual Amendments

- F22** Words in s. 207(3) omitted (with effect in accordance with Sch. 46 para. 132 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 46 para. 124](#)
- F23** S. 207(6A)(6B) inserted (with effect in accordance with Sch. 7 para. 12 of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 7 para. 11](#)

Modifications etc. (not altering text)

- C21** S. 207 modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), [Sch. 3 Pt. 1](#)

Commencement Information

- I4** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

Unauthorised payments charge

208 Unauthorised payments charge

- (1) A charge to income tax, to be known as the unauthorised payments charge, arises where an unauthorised payment is made by a registered pension scheme.
- (2) The person liable to the charge—
- in the case of an unauthorised member payment [^{F24}made to or in respect of a person before the person's death, is the person,]
 - in the case of an unauthorised member payment made [^{F25}in respect of a person after the person's] death, is the recipient, and
 - in the case of an unauthorised employer payment, is the [^{F26}person] to or in respect of whom the payment is made.
- (3) If more than one person is liable to the unauthorised payments charge in respect of an unauthorised payment, those persons are jointly and severally liable to the charge in respect of the payment.
- (4) A person is liable to the unauthorised payments charge whether or not—
- that person,
 - any other person who is liable to the unauthorised payments charge, and

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- (c) the scheme administrator,
are resident^{F27} ... or domiciled in the United Kingdom.
- (5) The rate of the charge is 40% in respect of the unauthorised payment.
- [^{F28}(6) The Treasury may by order amend subsection (5) so as to vary the rate of the unauthorised payments charge.
- (6A) An order under subsection (6) may make provision for there to be different rates in different circumstances.]
- (7) An unauthorised payment may also be subject to—
 - (a) the unauthorised payments surcharge under section 209, and
 - (b) the scheme sanction charge under section 239.
- (8) An unauthorised payment is not to be treated as income for any purpose of the Tax Acts.

Textual Amendments

- F24** Words in s. 208(2)(a) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 161\(2\), Sch. 23 para. 14\(a\)](#)
- F25** Words in s. 208(2)(b) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 161\(2\), Sch. 23 para. 14\(b\)](#)
- F26** Word in s. 208(2)(c) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 161\(2\), Sch. 23 para. 14\(c\)](#)
- F27** Words in s. 208(4) omitted (with effect in accordance with Sch. 46 para. 132 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\), Sch. 46 para. 125](#)
- F28** S. 208(6)(6A) substituted for s. 208(6) (with effect in accordance with Sch. 2 para. 25 of the amending Act) by [Finance Act 2009 \(c. 10\), Sch. 2 para. 12](#)

Modifications etc. (not altering text)

- C22** S. 208 modified (1.4.2012) by [The Postal Services Act 2011 \(Taxation\) Regulations 2012 \(S.I. 2012/764\), regs. 1\(1\), 24](#); [S.I. 2012/687](#); [S.I. 2012/688](#); [S.I. 2012/966](#)

Commencement Information

- I5** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

209 Unauthorised payments surcharge

- (1) A charge to income tax, to be known as the unauthorised payments surcharge, arises where a surchargeable unauthorised payment is made by a registered pension scheme.
- (2) “Surchargeable unauthorised payments” means—
 - (a) surchargeable unauthorised member payments (see section 210), and
 - (b) surchargeable unauthorised employer payments (see section 213).
- (3) The person liable to the charge—
 - (a) in the case of a surchargeable unauthorised member payment [^{F29}made to or in respect of a person before the person's death, is the person,]
 - (b) in the case of a surchargeable unauthorised member payment made [^{F30}in respect of a person after the person's] death, is the recipient, and

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- (c) in the case of a surchargeable unauthorised employer payment, is the ^{F31}[person] to or in respect of whom the payment was made.
- (4) If more than one person is liable to the unauthorised payments surcharge in respect of a surchargeable unauthorised payment, those persons are jointly and severally liable to the surcharge in respect of the payment.
- (5) A person is liable to the unauthorised payments surcharge whether or not—
- (a) that person,
 - (b) any other person who is liable to the unauthorised payments surcharge, ^{F32}...
 - (c) the scheme administrator, ^{F33}[and]
 - ^{F34}(d) the sub-scheme administrator,]
- are resident^{F35}... or domiciled in the United Kingdom.
- (6) The rate of the charge is 15% in respect of the surchargeable unauthorised payment.
- ^{F36}(7) The Treasury may by order amend subsection (6) so as to vary the rate of the unauthorised payments surcharge.
- (8) An order under subsection (7) may make provision for there to be different rates in different circumstances.]

Textual Amendments

- F29** Words in s. 209(3)(a) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 161\(2\), Sch. 23 para. 15\(a\)](#)
- F30** Words in s. 209(3)(b) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 161\(2\), Sch. 23 para. 15\(b\)](#)
- F31** Word in s. 209(3)(c) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 161\(2\), Sch. 23 para. 15\(c\)](#)
- F32** Word in s. 209(5)(b) deleted (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\), regs. 1\(1\), 4\(1\)\(a\)](#)
- F33** Word in s. 209(5)(c) added (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\), regs. 1\(1\), 4\(1\)\(b\)](#)
- F34** S. 209(5)(d) added (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\), regs. 1\(1\), 4\(1\)\(c\)](#)
- F35** Words in s. 209(5) omitted (with effect in accordance with Sch. 46 para. 132 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\), Sch. 46 para. 126](#)
- F36** S. 209(7)(8) substituted for s. 209(7) (with effect in accordance with Sch. 2 para. 25 of the amending Act) by [Finance Act 2009 \(c. 10\), Sch. 2 para. 13](#)

Modifications etc. (not altering text)

- C23** S. 209 modified (1.4.2012) by [The Postal Services Act 2011 \(Taxation\) Regulations 2012 \(S.I. 2012/764\), regs. 1\(1\), 24; S.I. 2012/687; S.I. 2012/688; S.I. 2012/966](#)

Commencement Information

- I6** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

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210 Surchargeable unauthorised member payments

- (1) This section identifies which unauthorised member payments made by a registered pension scheme [^{F37}to or in respect of a person who is or has been a member of] the pension scheme are surchargeable.
- (2) If the surcharge threshold is reached before the end of the period of 12 months beginning with a reference date, each unauthorised member payment made [^{F38}to or in respect of the person] in the surcharge period is surchargeable.
- (3) The surcharge period is the period—
 - (a) beginning with the reference date, and
 - (b) ending with the day on which the surcharge threshold is reached.
- (4) The first reference date is the date on which the pension scheme first makes an unauthorised member payment [^{F39}to or in respect of the person].
- (5) Each subsequent reference date is the date, after the end of the previous reference period, on which the pension scheme next makes an unauthorised member payment [^{F40}to or in respect of the person].
- (6) The previous reference period is the period of 12 months beginning with the previous reference date or, if the surcharge threshold is reached in that period, is the surcharge period ending with the date on which it was reached.
- (7) The surcharge threshold is reached if the unauthorised payments percentage reaches 25%.
- (8) The unauthorised payments percentage is the aggregate of the percentages of the pension fund used up by each unauthorised member payment made by the pension scheme [^{F41}to or in respect of the person] on or after the reference date.
- (9) The percentage of the pension fund used up on the occasion of an unauthorised member payment is—

$$\frac{\text{UMP}}{\text{VR}} \times 100$$

where—

UMP is the amount of the unauthorised member payment, and

VR is an amount equal to the [^{F42}aggregate of the value of the member's rights under arrangements relating to the member under the pension scheme when the unauthorised payment is made (or, if the unauthorised member payment is made after the member has died or has otherwise ceased to be a member of the pension scheme, at the date when the member died or otherwise ceased to be a member).]

- (10) The value of the member's rights under [^{F43}an arrangement on any] date is the aggregate of—
 - (a) the value of the member's crystallised rights under the arrangement on that date, calculated in accordance with section 211, and
 - (b) the value of the member's uncrystallised rights under the arrangement on that date, calculated in accordance with section 212.

Changes to legislation: Finance Act 2004, Chapter 5 is up to date with all changes known to be in force on or before 04 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

Textual Amendments

- F37** Words in s. 210(1) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 161\(2\), Sch. 23 para. 16\(2\)](#)
- F38** Words in s. 210(2) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 161\(2\), Sch. 23 para. 16\(3\)](#)
- F39** Words in s. 210(4) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 161\(2\), Sch. 23 para. 16\(3\)](#)
- F40** Words in s. 210(5) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 161\(2\), Sch. 23 para. 16\(3\)](#)
- F41** Words in s. 210(8) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 161\(2\), Sch. 23 para. 16\(3\)](#)
- F42** Words in s. 210(9) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 161\(2\), Sch. 23 para. 16\(4\)](#)
- F43** Words in s. 210(10) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 161\(2\), Sch. 23 para. 16\(5\)](#)

Commencement Information

- I7** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

211 Valuation of crystallised rights for purposes of section 210

- (1) The value of the member's crystallised rights under [^{F44}an arrangement] on any date is the aggregate of—
- the value of each scheme pension or lifetime annuity to which the member has an actual (rather than a prospective) entitlement under the arrangement on that date, ^{F45}...
 - the aggregate of the amount of the sums, and the market value of the assets, representing the [^{F46}member's drawdown pension fund] in respect of the arrangement on that date (if any) [^{F47}, and
 - the aggregate of the amount of the sums, and the market value of the assets, representing the member's flexi-access drawdown fund in respect of the arrangement on that date (if any).]
- (2) The value of a scheme pension or lifetime annuity is—

$$RVF \times ARP$$

where—

RVF is the relevant valuation factor (see section 276), and

ARP is an amount equal to the annual rate of the pension or annuity on the date.

Textual Amendments

- F44** Words in s. 211(1) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\), s. 161\(2\), Sch. 23 para. 17](#)

Changes to legislation: Finance Act 2004, Chapter 5 is up to date with all changes known to be in force on or before 04 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

- F45** Word in s. 211(1)(a) omitted (17.12.2014) by virtue of [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 14\(a\)](#)
- F46** Words in s. 211(1)(b) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 71](#)
- F47** S. 211(1)(c) and preceding word inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 14\(b\)](#)

Commencement Information

- I8** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

212 Valuation of uncrystallised rights for purposes of section 210

- (1) Rights are uncrystallised if the member is not entitled to the present payment of benefits in respect of the rights.
- (2) The member is to be treated as entitled to the present payment of benefits in respect of the sums and assets representing the [^{F48}member's drawdown pension fund][^{F49}or the member's flexi-access drawdown fund].
- (3) The value of the member's uncrystallised rights under [^{F50}an arrangement] on any date is to be calculated—
 - (a) in accordance with subsection (4) if the arrangement is a cash balance arrangement,
 - (b) in accordance with subsection (5) if the arrangement is a money purchase arrangement [^{F51}that is neither a cash balance arrangement nor a collective money purchase arrangement],
 - (c) in accordance with subsection (6) if the arrangement is a defined benefits arrangement [^{F52}or a collective money purchase arrangement], and
 - (d) in accordance with subsection (7) if the arrangement is a hybrid arrangement.
- (4) If this subsection applies, the value of the member's uncrystallised rights under the arrangement on the date is the amount which would, on the valuation assumptions (see section 277), be available for the provision of benefits in respect of those rights if the member became entitled to benefits in respect of those rights on the date.
- (5) If this subsection applies, the value of the member's uncrystallised rights under the arrangement on the date is the aggregate of—
 - (a) the amount of such of the sums held for the purposes of the arrangement on the date as represent those rights, and
 - (b) the market value of such of the assets held for the purposes of the arrangement on the date as represent those rights.
- (6) If this subsection applies, the value of the member's uncrystallised rights under the arrangement on the date is—

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

where—

RVF is the relevant valuation factor (see section 276),

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ARP is the annual rate of pension to which the member would, on the valuation assumptions, be entitled under the arrangement on the date if, on the date, the member acquired an actual (rather than a prospective) right to receive a pension in respect of the rights, and

LS is the amount of any lump sum to which the member would, on the valuation assumptions, be entitled under the arrangement on the date (otherwise than by way of commutation of pension) if, on the date, the member acquired an actual (rather than a prospective) right to payment of a lump sum in respect of the rights.

[^{F53}(7) If this subsection applies, the value of the member's uncrystallised rights under the arrangement on the date (“the hybrid value”) is to be calculated by taking the following steps—

Step 1 In relation to each relevant variety of benefits, calculate (in accordance with the preceding provisions of this section) the value of the member's uncrystallised rights on the date, assuming that benefits of that variety are provided under the arrangement.

Step 2 The hybrid value is the higher or highest of the amounts determined under step 1.”

(8) For the purposes of this section a variety of benefits is “relevant” in relation to a hybrid arrangement if, in any circumstances, benefits of that variety may be provided under the arrangement.

(9) In this section “variety of benefits” means a variety of benefits specified in section 152(10).]

Textual Amendments

- F48** Words in s. 212(2) substituted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 16 para. 72**
- F49** Words in s. 212(2) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 15**
- F50** Words in s. 212(3) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), **Sch. 23 para. 18**
- F51** Words in s. 212(3)(b) substituted (1.8.2022) by [Finance Act 2021 \(c. 26\)](#), **Sch. 5 paras. 9(2)(a)**, 25(1); S.I. 2022/874, reg. 2
- F52** Words in s. 212(3)(c) inserted (1.8.2022) by [Finance Act 2021 \(c. 26\)](#), **Sch. 5 paras. 9(2)(b)**, 25(1); S.I. 2022/874, reg. 2
- F53** [S. 212\(7\)-\(9\)](#) substituted for s. 212(7-10) (1.8.2022) by [Finance Act 2021 \(c. 26\)](#), **Sch. 5 paras. 9(3)**, 25(1); S.I. 2022/874, reg. 2

Modifications etc. (not altering text)

- C24** S. 212 modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), **9**, **10**

Commencement Information

- I9** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

Changes to legislation: Finance Act 2004, Chapter 5 is up to date with all changes known to be in force on or before 04 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

213 Surchargeable unauthorised employer payments

- (1) This section identifies which unauthorised employer payments made by a registered pension scheme to or in respect of a [^{F54}person who is or has been a] sponsoring employer are surchargeable.
- (2) If the surcharge threshold is reached before the end of the period of 12 months beginning with a reference date, each unauthorised employer payment made to or in respect of the [^{F55}person] in the surcharge period is surchargeable.
- (3) The surcharge period is the period—
 - (a) beginning with the reference date, and
 - (b) ending with the day on which the surcharge threshold is reached.
- (4) The first reference date is the date on which the pension scheme first makes an unauthorised employer payment to or in respect of the [^{F56}person].
- (5) Each subsequent reference date is the date, after the end of the previous reference period, on which the pension scheme next makes an unauthorised employer payment to or in respect of the [^{F57}person].
- (6) The previous reference period is the period of 12 months beginning with the previous reference date or, if the surcharge threshold is reached in that period, is the surcharge period ending with the date on which it was reached.
- (7) The surcharge threshold is reached if the unauthorised payments percentage reaches 25%.
- (8) The unauthorised payments percentage is the aggregate of the percentages of the pension fund used up by each unauthorised employer payment made by the pension scheme to or in respect of the [^{F58}person] on or after the reference date.
- (9) The percentage of the pension fund used up on the occasion of an unauthorised employer payment is—

$$\frac{\text{UEP}}{\text{AA}} \times 100$$

where—

UEP is the amount of the unauthorised employer payment, and

AA is an amount equal to the aggregate of the amount of the sums and the market value of the assets held for the purposes of the pension scheme at the time when the unauthorised employer payment is made.

Textual Amendments

- F54** Words in s. 213(1) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 19\(2\)](#)
- F55** Word in s. 213(2) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 19\(3\)](#)
- F56** Word in s. 213(4) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 19\(3\)](#)

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F57 Word in s. 213(5) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 19\(3\)](#)

F58 Word in s. 213(8) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 19\(3\)](#)

Modifications etc. (not altering text)

C25 S. 213 excluded (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, [22](#)

Commencement Information

I10 Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

F59 ...

Textual Amendments

F59 [Ss. 213A-213P](#) and cross-heading inserted (with effect for tax year 2011-12 and subsequent tax years in accordance with [Sch. 2 para. 5](#) of the amending Act) by [Finance Act 2010 \(c. 13\)](#), [Sch. 2 para. 2](#); which insertion fell without ever having effect as a result of the repeal (10.12.2010) of the affecting provision by [The Finance Act 2010, Section 23 and Schedule 2 \(High Income Excess Relief Charge\) \(Repeal\) Order 2010 \(S.I. 2010/2938\)](#), arts. 1, [2](#)

F59 **213A High income excess relief charge**

.....

F59 **213B High income**

.....

F59 **213C Gross income**

.....

F59 **213D Relevant income**

.....

F59 **213E The appropriate rate**

.....

F59 **213F Total pension savings amount**

.....

F59 **213G Money purchase arrangements other than cash balance arrangements**

.....

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F⁵⁹213H Cash balance arrangements

.....

F⁵⁹213I Adjustment of closing rights

.....

F⁵⁹213J Defined benefits arrangements

.....

F⁵⁹213K Adjustment of closing pension and lump sum

.....

F⁵⁹213L Age-related factors

.....

F⁵⁹213M Uprating of opening rights, pension and lump sum

.....

F⁵⁹213N Hybrid arrangements

.....

F⁵⁹213O Anti-avoidance

.....

F⁵⁹213P Power to make regulations about charge

.....

Lifetime allowance charge

214 Lifetime allowance charge

- (1) A charge to income tax, to be known as the lifetime allowance charge, arises where—
 - (a) a benefit crystallisation event occurs in relation to an individual who is a member of one or more registered pension schemes, and
 - (b) either the first lifetime allowance charge condition or the second lifetime allowance charge condition is met.
- (2) The first lifetime allowance charge condition is that—
 - (a) the whole or any part of the individual's lifetime allowance is available on the benefit crystallisation event, but

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- (b) the amount crystallised by the benefit crystallisation event exceeds the amount of the individual's lifetime allowance which is available on the benefit crystallisation event.
- (3) The second lifetime allowance charge condition is that none of the individual's lifetime allowance is available on the benefit crystallisation event.
- (4) The following sections make further provision about the lifetime allowance charge—
 - section 215 (amount of charge),
 - section 216 and Schedule 32 (benefit crystallisation events and amounts crystallised),
 - section 217 (persons liable to charge),
 - section 218 (individual's lifetime allowance and standard lifetime allowance),
 - section 219 (availability of individual's lifetime allowance), and
 - sections 220 to 226 (lifetime allowance enhancement factors).
- (5) In sections 215 to 219—
 - (a) references to “the individual”, in relation to the lifetime allowance charge, are to the individual in relation to whom the benefit crystallisation event giving rise to the charge occurs, and
 - (b) references to “the pension scheme”, in relation to the lifetime allowance charge, are to the pension scheme to which the benefit crystallisation event giving rise to the charge, or the amount crystallised by it, relates.
- (6) Schedule 36 contains (in Part 2) transitional provision about the lifetime allowance charge.

Modifications etc. (not altering text)

- C26** Ss. 214-226 applied by 2003 c. 1, s. 636A(5) (as inserted (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), [Sch. 31 para. 11](#) (with [Sch. 36](#)))
- C27** Ss. 214-226 applied (with modifications) (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\)](#), regs. 1(1), [5-11](#)
- C28** S. 214 modified (1.4.2012) by [The Postal Services Act 2011 \(Taxation\) Regulations 2012 \(S.I. 2012/764\)](#), regs. 1(1), [24](#); [S.I. 2012/687](#); [S.I. 2012/688](#); [S.I. 2012/966](#)

Commencement Information

- I11** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

215 Amount of charge

- (1) The lifetime allowance charge is a charge in respect of the chargeable amount.
- (2) The lifetime allowance charge is a charge—
 - (a) at the rate of 55% in respect of so much (if any) of the chargeable amount as constitutes the lump-sum amount, and
 - (b) at the rate of 25% in respect of so much (if any) of the chargeable amount as constitutes the retained amount.

^{F60}(2A) The Treasury may by order amend subsection (2) so as to vary the rates of the lifetime allowance charge.

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- (2B) An order under subsection (2A) may make provision for there to be different rates in different circumstances.]
- (3) The “chargeable amount” is the aggregate of—
- (a) the basic amount, and
 - (b) any amount which is treated as forming part of the lump-sum amount under subsection (6) or of the retained amount under subsection (8).
- (4) The “basic amount”—
- (a) if the first lifetime allowance [^{F61}charge] condition is met, is the amount by which the amount crystallised by the benefit crystallisation event exceeds the amount of the individual’s lifetime allowance available on it, and
 - (b) if the second lifetime allowance charge condition is met, is the amount crystallised by the benefit crystallisation event.
- (5) The “lump-sum amount” is the aggregate of—
- (a) so much of the basic amount as is paid as a lump sum to the individual or a lump sum death benefit in respect of the individual, and
 - (b) any amount which is treated as forming part of the lump-sum amount under subsection (6).
- (6) If and to the extent that the tax payable under this section on any of the lump-sum amount is covered by a scheme-funded tax payment, it is to be treated as itself forming part of the lump-sum amount.
- (7) The “retained amount” is the aggregate of—
- (a) so much of the basic amount as is not paid as a lump sum to the individual or a lump sum death benefit in respect of the individual, and
 - (b) any amount which is treated as forming part of the retained amount under subsection (8).
- (8) If and to the extent that the tax payable under this section on any of the retained amount is covered by a scheme-funded tax payment, it is to be treated as itself forming part of the retained amount.
- (9) An amount of tax payable under this section is “covered by a scheme-funded tax payment” if—
- (a) the tax is paid by the scheme administrator, ^{F62}...
 - ^{F62}(b)
- ^{F63}(10)
- (11) The chargeable amount is not to be treated as income for any purpose of the Tax Acts.

Textual Amendments

- F60** S. 215(2A)(2B) inserted (with effect in accordance with Sch. 2 para. 25 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 2 para. 14](#)
- F61** Word in s. 215(4)(a) inserted (21.7.2008) by [Finance Act 2008 \(c. 9\)](#), [Sch. 29 para. 15](#)
- F62** S. 215(9)(b) and word repealed (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 41\(a\), 64\(1\)](#), [Sch. 11 Pt. 4](#)
- F63** S. 215(10) repealed (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 41\(b\), 64\(1\)](#), [Sch. 11 Pt. 4](#)

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Modifications etc. (not altering text)

- C26** Ss. 214-226 applied by 2003 c. 1, s. 636A(5) (as inserted (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), [Sch. 31 para. 11](#) (with [Sch. 36](#)))
- C27** Ss. 214-226 applied (with modifications) (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\)](#), regs. 1(1), [5-11](#)
- C29** S. 215(9) modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), [Sch. 3 Pt. 1](#)

Commencement Information

- I12** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

216 Benefit crystallisation events and amounts crystallised

(1) This table sets out—

- (a) the events which are benefit crystallisation events in relation to the individual, and
- (b) the amount which is crystallised by each of those events.

BENEFIT CRYSTALLISATION EVENTS	AMOUNT CRYSTALLISED
1. The designation of sums or assets held for the purposes of a money purchase arrangement under any of the relevant pension schemes as available for the payment of [^{F64} drawdown pension] to the individual	The aggregate of the amount of the sums and the market value of the assets designated
2. The individual becoming entitled to a scheme pension under any of the relevant pension schemes	$RVF \times P$
3. The individual, having become so entitled, becoming entitled to payment of the scheme pension, otherwise than in excepted circumstances, at an increased annual rate which [^{F65} —	$RVF \times XP$
<ol style="list-style-type: none"> (a) exceeds the threshold annual rate, and (b)] exceeds by more than the permitted margin the rate at which it was payable on the day on which the individual became entitled to it 	
4. The individual becoming entitled to a lifetime annuity purchased under a money purchase arrangement under any of the relevant pension schemes	The aggregate of the amount of such of the sums, and the market value of such of the assets, representing the individual's rights under the arrangement as are applied to purchase the lifetime annuity [^{F66} and any related

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	dependants' annuity][^{F67} and any related nominees' annuity]
5. The individual reaching the age of 75 when prospectively entitled to a scheme pension or a lump sum (or both) under a defined benefits arrangement [^{F68} , or a collective money purchase arrangement,] under any of the relevant pension schemes	(RVF × DP) + DSLS
[^{F69} 5A. The individual reaching the age of 75 having designated sums or assets held for the purposes of a money purchase arrangement under any of the relevant pension schemes as available for the payment of [^{F70} drawdown pension] to the individual	The aggregate of the amount of the sums and the market value of the assets representing the [^{F71} individual's drawdown pension fund] under the arrangement [^{F72} (if any), plus the aggregate of the amount of the sums and the market value of the assets representing the individual's flexi-access drawdown fund under the arrangement (if any),] less the aggregate of amounts crystallised by benefit crystallisation event 1 in relation to the arrangement and the individual]
[^{F73} 5B. The individual reaching the age of 75 when there is a money purchase arrangement [^{F74} , other than a collective money purchase arrangement,] relating to the individual under any of the relevant pension schemes	The amount of any remaining unused funds]
[^{F75} 5C. The designation, on or after 6 April 2015 but before the end of the relevant two-year period, of relevant unused uncrystallised funds as available for the payment, to a dependant or nominee of the individual, of (as the case may be) dependants' flexi-access drawdown pension or nominees' flexi-access drawdown pension	The aggregate of the amount of the sums and the market value of the assets designated]
[^{F76} 5D. A person becoming entitled, on or after 6 April 2015 but before the end of the relevant two-year period, to a dependants' annuity or nominees' annuity in respect of the individual if—	The aggregate of—
(a) the annuity is purchased using (whether or not exclusively) relevant unused uncrystallised funds, and	(a) the amount of such of the sums, and
(b) the individual died on or after 3 December 2014	(b) the market value of such of the assets, applied to purchase the annuity as are relevant unused uncrystallised funds]

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6. The individual becoming entitled to a relevant lump sum under any of the relevant pension schemes	The amount of the lump sum [^{F77} paid to the individual]
7. A person being paid a relevant lump sum death benefit in respect of the individual under any of the relevant pension schemes	The amount of the lump sum death benefit
8. The transfer of sums or assets held for the purposes of, or representing accrued rights under, any of the relevant pension schemes so as to become held for the purposes of or to represent rights under a qualifying recognised overseas pension scheme in connection with the individual's membership of that pension scheme	The aggregate of the amount of any sums transferred and the market value of any assets transferred
[^{F78} 9. If regulations under section 164(1) (f) so provide, the happening of an event prescribed in the regulations in relation to a payment prescribed in the regulations	An amount determined in accordance with the regulations]

(2) Schedule 32 gives the meaning of expressions used in the table in subsection (1).

Textual Amendments

- F64** Words in s. 216(1) substituted (with effect in accordance with Sch. 16 paras. 85, 104(1) of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 73\(2\)](#)
- F65** Words in s. 216(1) inserted (retrospective to 6.4.2006) by [Finance Act 2008 \(c. 9\)](#), [Sch. 29 paras. 5, 12\(3\)](#)
- F66** Words in s. 216(1) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 31, 64\(1\)](#)
- F67** Words in s. 216(1) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 4 para. 4\(2\)](#)
- F68** Words in [s. 216\(1\) Table](#) inserted (1.8.2022) by [Finance Act 2021 \(c. 26\)](#), [Sch. 5 paras. 10\(2\)\(a\), 25\(1\)](#); [S.I. 2022/874, reg. 2](#)
- F69** Words in s. 216(1) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 30](#)
- F70** Words in s. 216(1) substituted (with effect in accordance with Sch. 16 paras. 85, 104(1) of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 73\(3\)\(a\)](#)
- F71** Words in s. 216(1) substituted (with effect in accordance with Sch. 16 paras. 85, 104(1) of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 73\(3\)\(b\)](#)
- F72** Words in s. 216(1) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 16](#)
- F73** Words in s. 216(1) inserted (with effect in accordance with Sch. 16 paras. 85, 104(1) of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 43](#)
- F74** Words in [s. 216\(1\) Table](#) inserted (1.8.2022) by [Finance Act 2021 \(c. 26\)](#), [Sch. 5 paras. 10\(2\)\(b\), 25\(1\)](#); [S.I. 2022/874, reg. 2](#)
- F75** Words in s. 216(1) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 21](#)
- F76** Words in s. 216(1) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 4 para. 4\(3\)](#)
- F77** Words in s. 216(1) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 42, 64\(1\)](#)
- F78** Words in s. 216 inserted (21.7.2008) by [Finance Act 2008 \(c. 9\)](#), [Sch. 29 para. 1\(3\)](#)

Changes to legislation: Finance Act 2004, Chapter 5 is up to date with all changes known to be in force on or before 04 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

Modifications etc. (not altering text)

- C26** Ss. 214-226 applied by 2003 c. 1, s. 636A(5) (as inserted (6.4.2006) by Finance Act 2004 (c. 12), s. 284(1), **Sch. 31 para. 11** (with **Sch. 36**))
- C27** Ss. 214-226 applied (with modifications) (1.5.2010) by The Financial Assistance Scheme (Tax) Regulations 2010 (S.I. 2010/1187), regs. 1(1), **5-11**
- C30** S. 216 applied (6.4.2006) by The Pension Protection Fund (Tax) Regulations 2006 (S.I. 2006/575), regs. 1, **23(4)**
- C31** S. 216 modified (6.4.2006) by The Taxation of Pension Schemes (Transitional Provisions) Order 2006 (S.I. 2006/572), arts. 1(1), **29(1)(2)(5)**
- C32** S. 216 modified by S.I. 2006/572, art. 29A (as inserted (with effect in accordance with art. 1 of the amending S.I.) by The Taxation of Pension Schemes (Transitional Provisions) (Amendment) Order 2006 (S.I. 2006/1962), arts. 1, **3(3)**)
- C33** S. 216 modified (27.7.2010) by Finance (No. 2) Act 2010 (c. 31), **Sch. 3 para. 6(1)**
- C34** S. 216 modified (1.4.2015) by The Police Pensions (Consequential Provisions) Regulations 2015 (S.I. 2015/370), regs. 1(2), **14(2)(3)**
- C35** S. 216 modified (1.4.2015) by The Armed Forces Pension (Consequential Provisions) Regulations 2015 (S.I. 2015/390), regs. 1(2), **14(2)** (with reg. 14(1))
- C36** S. 216 modified (1.4.2015) by The Firefighters' Pension Scheme (England) (Consequential Provisions) Regulations 2015 (S.I. 2015/319), regs. 1(2), **13(2)(3)**
- C37** S. 216 applied (with modifications) (N.I.) (1.4.2015) by The Firefighters' Pension Scheme (Consequential Provisions) Regulations (Northern Ireland) 2015 (S.R. 2015/166), regs. 1, **12(2)**
- C38** S. 216 modified (1.4.2015) by The Teachers' Pension Scheme (Consequential Provisions) (Scotland) Regulations 2015 (S.S.I. 2015/146), regs. 1(2), **14(2)(3)** (with reg. 14(1))
- C39** S. 216 modified (1.4.2015) by The Public Service (Civil Servants and Others) Pensions (Consequential and Amendment) Regulations 2015 (S.I. 2015/372), regs. 1(2), **14(2)(3)**
- C40** S. 216 modified (1.4.2015) by The National Health Service Pension Scheme (Consequential Provisions) (Scotland) Regulations 2015 (S.S.I. 2015/145), regs. 1(2), **14(2)(3)** (with reg. 14(1))
- C41** S. 216 applied (with modifications) (N.I.) (1.4.2015) by The Teachers' Pension Scheme (Consequential Provisions) Regulations (Northern Ireland) 2015 (S.R. 2015/170), regs. 1, **13(2)**
- C42** S. 216 applied (with modifications) (1.4.2015) by The National Health Service Pension Scheme (Consequential Provisions) Regulations 2015 (S.I. 2015/432), regs. 1(2), **14(3)**
- C43** S. 216 modified (S.) (1.4.2015) by The Police Pensions (Consequential Provisions) (Scotland) Regulations 2015 (S.S.I. 2015/118), regs. 1(3), **14(2)(3)** (with reg. 14(1))
- C44** S. 216 applied (with modifications) (N.I.) (1.4.2015) by The Health Service Workers (Consequential Provisions) Regulations (Northern Ireland) 2015 (S.R. 2015/167), regs. 1, **13(2)**
- C45** S. 216 applied (with modifications) (N.I.) (1.4.2015) by The Public Service (Civil Servants and Others) Pensions (Consequential Provisions) Regulations (Northern Ireland) 2015 (S.R. 2015/81), regs. 1(1), **13(2)**
- C46** S. 216 applied (with modifications) (N.I.) (1.4.2015) by The Police Pensions (Consequential Provisions) Regulations (Northern Ireland) 2015 (S.R. 2015/156), regs. 1(2), **13(2)**
- C47** S. 216 modified (1.4.2015) by The Teachers' Pension Scheme (Consequential Provisions) Regulations 2015 (S.I. 2015/436), regs. 1(2), **14(2)(3)** (with reg. 14(1))
- C48** S. 216 modified (S.) (1.4.2015) by The Firefighters' Pension Scheme (Consequential Provisions) (Scotland) Regulations 2015 (S.S.I. 2015/117), regs. 1(3), **13(2)(3)** (with reg. 13(1))
- C49** S. 216 modified (W.) (1.4.2015) by The Firefighters' Pension Scheme (Wales) (Consequential Provisions) Regulations 2015 (S.I. 2015/848), regs. 1(2), **13(2)(3)** (with reg. 13(1))

Commencement Information

- I13** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

Changes to legislation: Finance Act 2004, Chapter 5 is up to date with all changes known to be in force on or before 04 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

217 Persons liable to charge

(1) The persons liable to the lifetime allowance charge are—

- (a) the individual, and
 - (b) the scheme administrator of the pension scheme,
- and their liability is joint and several.

[^{F79}(1A) Subsection (1) is subject to subsections (2) and (2A).]

(2) [^{F80}Where] the liability arises by reason of the payment of a relevant lump sum death benefit it is a liability of the person to whom the lump sum death benefit is paid.

[^{F81}(2A) Where the liability arises by reason of a designation mentioned in the description of benefit crystallisation event 5C, [^{F82}or by reason of a person becoming entitled to an annuity as mentioned in the description of benefit crystallisation event 5D,] it is a liability of the dependant or nominee (as the case may be).]

[^{F83}(3) Subsection (4) applies if—

- (a) two or more relevant post-death benefit crystallisation events occur in respect of an individual, and
- (b) tax is not chargeable on the whole of the total of the amounts crystallised by them.

(4) The person liable under subsection (2) or (2A) to the lifetime allowance charge charged by reason of the occurrence of any one of the relevant post-death benefit crystallisation events is liable to such portion of the total amount of the tax payable by reason of the relevant post-death benefit crystallisation events having occurred as appears to an officer of Revenue and Customs to be just and reasonable.

(4A) For the purposes of subsections (3) and (4), a benefit crystallisation event is a “relevant post-death benefit crystallisation event” if it is benefit crystallisation event 5C [^{F84}, 5D] or 7.]

(5) A person is liable to the lifetime allowance charge whether or not—

- (a) that person,
- (b) any other person who is liable to the lifetime allowance charge, and
- (c) the scheme administrator (if not so liable),

are resident^{F85}... or domiciled in the United Kingdom.

Textual Amendments

F79 S. 217(1A) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 22\(2\)](#)

F80 Word in s. 217(2) substituted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 22\(3\)](#)

F81 S. 217(2A) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 22\(4\)](#)

F82 Words in s. 217(2A) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 4 para. 5\(2\)](#)

F83 S. 217(3)-(4A) substituted for s. 217(3)(4) (6.4.2015) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 22\(5\)\(6\)](#)

F84 Word in s. 217(4A) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 4 para. 5\(3\)](#)

F85 Words in s. 217(5) omitted (with effect in accordance with Sch. 46 para. 132 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 46 para. 127](#)

Changes to legislation: Finance Act 2004, Chapter 5 is up to date with all changes known to be in force on or before 04 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

Modifications etc. (not altering text)

- C26** Ss. 214-226 applied by 2003 c. 1, s. 636A(5) (as inserted (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), [Sch. 31 para. 11](#) (with [Sch. 36](#)))
- C27** Ss. 214-226 applied (with modifications) (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\)](#), regs. 1(1), [5-11](#)
- C50** S. 217 modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), [Sch. 3 Pt. 1](#)

Commencement Information

- I14** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

218 Individual's lifetime allowance and standard lifetime allowance

- (1) Subject as follows, the individual's lifetime allowance is the standard lifetime allowance.
- ^[F86](2) The standard lifetime allowance for the tax years 2016-17 and 2017-18 is £1,000,000.
- (2A) The standard lifetime allowance for any later tax year ("the subsequent tax year") is the same as the standard lifetime allowance for the tax year immediately preceding the subsequent tax year, unless subsection (2C) provides for it to be higher.
- (2B) Subsection (2C) applies if—
- the consumer prices index for the month of September in any tax year ("the prior tax year") is higher than it was for the previous September, and
 - the prior tax year is the tax year 2017-18 or a later tax year.
- (2C) The standard lifetime allowance for the tax year following the prior tax year is the standard lifetime allowance for the prior tax year—
- increased by the percentage increase in the index, and
 - if the result is not a multiple of £100, rounded up to the nearest amount which is such a multiple.
- (2D) The Treasury must before the tax year 2018-19, and before each subsequent tax year, make regulations specifying the amount given by subsections (2A) to (2C) as the standard lifetime allowance for the tax year concerned.]
- (4) Where one or more lifetime allowance enhancement factors operate in relation to a benefit crystallisation event occurring in relation to the individual, the individual's lifetime allowance at the time of the benefit crystallisation event is—

$$SLA + (SLA \times LAEF)$$

where—

SLA is the standard lifetime allowance at the time of the benefit crystallisation event, and

LAEF is the lifetime allowance enhancement factor which operates with respect to the benefit crystallisation event and the individual or (where more than one so operates) the aggregate of them.

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- (5) The following make provision for the operation of lifetime allowance enhancement factors—
- section 220 (pension credits from previously crystallised rights),
 - sections 221 to 223 (individuals who are not always relevant UK individuals),
 - sections 224 to 226 (transfers from recognised overseas pension schemes),
 - paragraphs 7 to 11 of Schedule 36 (primary protection), and
 - paragraph 18 of that Schedule (pre-commencement pension credits).
- [^{F87}(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.
- [Where the operation of a lifetime allowance enhancement factor is provided for by
- ^{F88}(5BA) any of sections 220, 222, 223 and 224 and the time mentioned in the definition of SLA in the section concerned fell within the period consisting of the tax year 2012-13 and the tax year 2013-14, subsection (4) has effect as if the amount to be multiplied by LAEF were £1,500,000 if that is greater than SLA.
- (5BB) Where more than one lifetime allowance enhancement factor operates, subsection (5BA) does not apply if subsection (5A) or (5B) applies.]
- [Where the operation of a lifetime allowance enhancement factor is provided for by
- ^{F89}(5BC) any of sections 220, 222, 223 and 224 and the time mentioned in the definition of SLA in the section concerned fell within the period consisting of the tax year 2014-15 and the tax year 2015-16, subsection (4) has effect as if the amount to be multiplied by LAEF were £1,250,000 if that is greater than SLA.
- (5BD) Where more than one lifetime allowance enhancement factor operates, subsection (5BC) does not apply if any of subsections (5A), (5B) and (5BA) applies.]
- (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).]
- [^{F90}(5D) Where benefit crystallisation event 7 occurs on or after 6 April 2014 by reason of the payment of a relevant lump sum death benefit in respect of the death of the individual during the period consisting of the tax year 2012-13 and the tax year 2013-14, the standard lifetime allowance at the time of the benefit crystallisation event is £1,500,000.]
- [^{F91}(5E) Where benefit crystallisation event 7 occurs on or after 6 April 2016 by reason of the payment of a relevant lump sum death benefit in respect of the death of the individual during the period consisting of the tax year 2014-15 and the tax year 2015-16, the standard lifetime allowance at the time of the benefit crystallisation event is £1,250,000.]
- [^{F92}(5F) Where—

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- (a) benefit crystallisation event 5C occurs by reason of the designation on or after 6 April 2015 of sums or assets held for the purposes of an arrangement relating to the individual, and
 - (b) the individual died before 6 April 2012,

the standard lifetime allowance at the time of the benefit crystallisation event is £1,800,000.
- (5G) Where—
 - (a) benefit crystallisation event 5C occurs by reason of the designation on or after 6 April 2015 of sums or assets held for the purposes of an arrangement relating to the individual, and
 - (b) the individual died in the period consisting of the tax year 2012-13 and the tax year 2013-14,

the standard lifetime allowance at the time of the benefit crystallisation event is £1,500,000.
- (5H) Where—
 - (a) benefit crystallisation event 5C occurs by reason of the designation on or after 6 April 2016 of sums or assets held for the purposes of an arrangement relating to the individual, and
 - (b) the individual died in the period consisting of the tax year 2014-15 and the tax year 2015-16,

the standard lifetime allowance at the time of the benefit crystallisation event is £1,250,000.
- (5I) Where—
 - (a) benefit crystallisation event 5D occurs by reason of a person becoming entitled on or after 6 April 2016 to an annuity in respect of the individual, and
 - (b) the individual died in the period beginning with 3 December 2014 and ending with 5 April 2016,

the standard lifetime allowance at the time of the benefit crystallisation event is £1,250,000.]
- (6) Paragraph 19 of that Schedule makes provision for the reduction of what would otherwise be the individual's lifetime allowance in certain cases where the individual is permitted to take pension before normal minimum pension age.
- (7) In this Part references (however expressed) to a person's lifetime allowance at any time are to what would be the person's lifetime allowance, calculated in accordance with this section, if a benefit crystallisation event occurred in relation to the person at that time.

Textual Amendments

- F86** S. 218(2)-(2D) substituted for s. 218(2)(3) (with effect in accordance with s. 19(8) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 19\(2\)](#)
- F87** S. 218(5A)-(5C) inserted (with effect in accordance with Sch. 18 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\), Sch. 18 para. 2\(3\)](#)
- F88** S. 218(5BA)(5BB) inserted (with effect in accordance with Sch. 22 para. 6(4) of the amending Act) by [Finance Act 2013 \(c. 29\), Sch. 22 para. 6\(2\)](#)
- F89** S. 218(5BC)(5BD) inserted (with effect in accordance with s. 19(8) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 19\(3\)](#)

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- F90** S. 218(5D) inserted (with effect in accordance with Sch. 22 para. 6(4) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 22 para. 6\(3\)](#)
- F91** S. 218(5E) inserted (with effect in accordance with s. 19(8) of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [s. 19\(4\)](#)
- F92** S. 218(5F)-(5I) inserted (6.4.2015 retrospectively for specified purposes and at 6.4.2016 retrospectively in so far as not already in force in accordance with s. 19(9)) by [Finance Act 2016 \(c. 24\)](#), [s. 19\(5\)](#)

Modifications etc. (not altering text)

- C26** Ss. 214-226 applied by 2003 c. 1, s. 636A(5) (as inserted (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), [s. 284\(1\)](#), [Sch. 31 para. 11](#) (with [Sch. 36](#)))
- C27** Ss. 214-226 applied (with modifications) (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\)](#), [regs. 1\(1\)](#), [5-11](#)
- C51** S. 218 applied (1.6.2018) by [The Local Government Pension Scheme \(Scotland\) Regulations 2018 \(S.S.I. 2018/141\)](#), [regs. 1\(1\)](#), [48\(2\)](#)
- C52** S. 218(2C)(2D) excluded (6.4.2021 for the tax years 2021-22, 2022-23, 2023-24, 2024-25 and 2025-26) by [Finance Act 2021 \(c. 26\)](#), [s. 28](#)

Commencement Information

- I15** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

219 Availability of individual's lifetime allowance

- (1) This section is about the availability of the individual's lifetime allowance on the occurrence of a benefit crystallisation event in relation to the individual ("the current benefit crystallisation event").
- (2) If no benefit crystallisation event has occurred in relation to the individual before the current benefit crystallisation event, the whole of the individual's lifetime allowance is available on the current benefit crystallisation event.
- (3) If one or more benefit crystallisation events have occurred in relation to the individual before the current benefit crystallisation event—
 - (a) in a case in which the previously-used amount is equal to or greater than the amount of the individual's lifetime allowance, none of the individual's lifetime allowance is available on the current benefit crystallisation event, and
 - (b) in any other case, so much of the individual's lifetime allowance as is left after deducting the previously-used amount is available on the current benefit crystallisation event.
- (4) The previously-used amount is—
 - (a) where one benefit crystallisation event has occurred in relation to the individual before the current benefit crystallisation event, the amount [^{F93}which is the relevant untaxed amount in relation to] the previous benefit crystallisation event as adjusted under subsection (5), or
 - (b) where two or more benefit crystallisation events have occurred in relation to the individual before the current benefit crystallisation event, the aggregate of the amounts [^{F94}which are the relevant untaxed amounts in relation to] each previous benefit crystallisation event as adjusted under subsection (5).

[^{F95}(4A) "The relevant untaxed amount", in relation to a previous benefit crystallisation event, is—

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- (a) where no tax was charged in relation to the benefit crystallisation event, the amount in respect of which tax would have been so charged if none of the individual's lifetime allowance had been available, and
 - (b) where tax was charged in relation to the benefit crystallisation event, so much of the amount in respect of which tax would have been so charged if none of the individual's lifetime allowance had been available as exceeds the amount in respect of which tax was so charged.]
- (5) The adjustment of the [^{F96}relevant untaxed amount in relation to] a previous benefit crystallisation event referred to in subsection (4)(a) and (b) is the multiplication of that amount by—

$$\frac{\text{CSLA}}{\text{PSLA}}$$

where—

CSLA is the standard lifetime allowance at the time of the current benefit crystallisation event, and

PSLA is the standard lifetime allowance at the time of the previous benefit crystallisation event.

- [^{F97}(5A) If paragraph 7 of Schedule 36 (primary protection) makes provision for a lifetime allowance enhancement factor in relation to the individual, subsection (5) has effect [^{F98}where the previous benefit crystallisation event occurred before 6 April 2014] as if CSLA were £1,500,000 if that is greater than CSLA.]
- (6) Where more than one benefit crystallisation event occurs in relation to an individual on the same day, it is for the individual to decide the order in which they are to be treated as occurring for the purposes of this section; but this subsection is subject to section 166(2) (entitlement to pension commencement lump sum to arise immediately before entitlement to associated pension).
- (7) Where more than one [^{F99}relevant post-death] benefit crystallisation event occurs [^{F100}... in respect of an [^{F101}individual, the relevant post-death] benefit crystallisation events are to be treated for the purposes of this section as occurring immediately before the individual's death [^{F102}but immediately after any benefit crystallisation event occurring immediately before the individual's death by virtue of section 166(2)].
- [^{F103}(7A) For the purposes of subsection (7), a benefit crystallisation event is a “relevant post-death benefit crystallisation event” if it is benefit crystallisation event 5C [^{F104}, 5D] or 7.]
- (8) Paragraph 20 of Schedule 36 makes provision affecting this section in relation to pre-commencement pensions.
- (9) In this Part references (however expressed) to the portion of a person's lifetime allowance that is available at any time are to the portion of the person's lifetime allowance that would be available, calculated in accordance with this section, if a benefit crystallisation event occurred in relation to the person at that time.

Changes to legislation: Finance Act 2004, Chapter 5 is up to date with all changes known to be in force on or before 04 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

Textual Amendments

- F93** Words in s. 219(4)(a) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 31\(2\)\(a\)](#)
- F94** Words in s. 219(4)(b) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 31\(2\)\(b\)](#)
- F95** S. 219(4A) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 31\(3\)](#)
- F96** Words in s. 219(5) substituted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 161(2), [Sch. 23 para. 31\(4\)](#)
- F97** S. 219(5A) inserted (with effect in accordance with Sch. 22 para. 7(2) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 22 para. 7\(1\)](#)
- F98** Words in s. 219(5A) inserted (6.4.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 6 para. 10\(1\)\(2\)](#)
- F99** Words in s. 219(7) inserted (6.4.2015) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 23\(2\)\(a\)\(4\)](#)
- F100** Words in s. 219(7) omitted (6.4.2015) by virtue of [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 23\(2\)\(b\)\(4\)](#)
- F101** Words in s. 219(7) substituted (6.4.2015) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 23\(2\)\(c\)\(4\)](#)
- F102** Words in s. 219(7) inserted (retrospective to 6.4.2006) by [Finance Act 2007 \(c. 11\)](#), [Sch. 20 paras. 10, 24\(3\)](#)
- F103** S. 219(7A) inserted (6.4.2015) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 2 para. 23\(3\)\(4\)](#)
- F104** Word in s. 219(7A) inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), Sch. 4 para. 6

Modifications etc. (not altering text)

- C26** Ss. 214-226 applied by 2003 c. 1, s. 636A(5) (as inserted (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), [Sch. 31 para. 11](#) (with [Sch. 36](#)))
- C27** Ss. 214-226 applied (with modifications) (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\)](#), regs. 1(1), [5-11](#)

Commencement Information

- I16** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

220 Pension credits from previously crystallised rights

- (1) This section makes provision for the operation of a lifetime allowance enhancement factor with respect to a benefit crystallisation event occurring in relation to an individual where—
 - (a) the individual has (at any time after 5th April 2006 but before the benefit crystallisation event) acquired rights under a registered pension scheme by reason of having become entitled to a pension credit,
 - (b) the pension credit derived from the same or another registered pension scheme, and
 - (c) the rights under that registered pension scheme which became subject to the corresponding pension debit consisted of or included rights to a post-commencement pension in payment.
- (2) “Post-commencement pension in payment” means a pension to which a person became (actually) entitled on or after 6th April 2006.
- (3) The lifetime allowance enhancement factor is the pension credit factor.

Changes to legislation: Finance Act 2004, Chapter 5 is up to date with all changes known to be in force on or before 04 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

(4) The pension credit factor is—

$$\frac{\text{APC}}{\text{SLA}}$$

where—

APC is [^{F105}the post-commencement pension in payment portion of] the amount which is the appropriate amount for the purposes of section 29(1) of WRPA 1999 or Article 26(1) of WRP(NI)O 1999 in relation to the pension credit, and

SLA is the standard lifetime allowance at the time when the rights were acquired.

[^{F106}(4A) The post-commencement pension in payment portion of the appropriate amount referred to in the definition of APC—

- (a) in a case where the appropriate amount is arrived at under section 29(2) or (3) (b) of WRPA 1999 or Article 26(2) or (3)(b) of WRP(NI)O 1999, is so much of that amount as is attributable to rights to a post-commencement pension in payment, and
- (b) in a case where the appropriate amount is arrived at under section 29(3)(a) of WRPA 1999 or Article 26(3)(a) of WRP(NI)O 1999, is so much of that amount as is just and reasonable.]

(5) This section only applies if notice of intention to rely on it is given to the Inland Revenue in accordance with regulations made by the Board of Inland Revenue.

Textual Amendments

F105 Words in s. 220(4) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 45\(2\)](#), 64(1)

F106 S. 220(4A) inserted (6.4.2006) by [Finance Act 2005 \(c. 7\)](#), [Sch. 10 paras. 45\(3\)](#), 64(1)

Modifications etc. (not altering text)

C26 Ss. 214-226 applied by 2003 c. 1, s. 636A(5) (as inserted (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), [Sch. 31 para. 11](#) (with [Sch. 36](#)))

C27 Ss. 214-226 applied (with modifications) (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\)](#), regs. 1(1), [5-11](#)

Commencement Information

I17 Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

221 Non-residence: general

- (1) This section makes provision for the operation of a lifetime allowance enhancement factor with respect to a benefit crystallisation event occurring in relation to an individual where, during any part of the period that is the active membership period in relation to an arrangement relating to the individual under a registered pension scheme, the individual is a relevant overseas individual.

Changes to legislation: Finance Act 2004, Chapter 5 is up to date with all changes known to be in force on or before 04 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

- (2) Section 222 provides the lifetime allowance enhancement factor in the case of an arrangement that is a money purchase arrangement; and section 223 provides the lifetime allowance enhancement factor in the case of any other arrangement.
- (3) For the purposes of this Part an individual is a relevant overseas individual at any time if, at that time, the individual either is not a relevant UK individual or—
 - (a) is a relevant UK individual only by virtue of paragraph (c) of section 189(1) (individuals resident in UK at some time in previous five tax years), and
 - (b) is not employed by a person resident in the United Kingdom.
- (4) In this section and sections 222 and 223 “the active membership period”, in relation to a benefit crystallisation event occurring in relation to an arrangement relating to the individual, is the period—
 - (a) beginning with the date on which the benefits first began to accrue to or in respect of the individual under the arrangement or, if later, 6th April 2006, and
 - (b) ending immediately before the benefit crystallisation event.
- (5) But if benefits ceased to accrue to or in respect of the individual under the arrangement before the benefit crystallisation event, the active membership period is to be treated as having ended then.
- (6) This section only applies if notice of intention to rely on it is given to the Inland Revenue in accordance with regulations made by the Board of Inland Revenue.

Modifications etc. (not altering text)

- C26** Ss. 214-226 applied by 2003 c. 1, s. 636A(5) (as inserted (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), [Sch. 31 para. 11](#) (with [Sch. 36](#)))
- C27** Ss. 214-226 applied (with modifications) (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\)](#), regs. 1(1), [5-11](#)
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Commencement Information

- I18** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

222 Non-residence: money purchase arrangements

- (1) This section applies in the case of an arrangement that is a money purchase arrangement.
- (2) The lifetime allowance enhancement factor is—
 - (a) if the arrangement is a cash balance arrangement, the cash balance arrangement non-residence factor (see subsections (3) to (5)), and
 - (b) if the arrangement is any other sort of money purchase arrangement, the other money purchase arrangement non-residence factor (see subsections (6) and (7)).
- (3) The cash balance arrangement non-residence factor is—
 - (a) the factor arrived at by the application of subsection (4) in relation to the part of the active membership period during which the individual was a relevant overseas individual, or

Changes to legislation: Finance Act 2004, Chapter 5 is up to date with all changes known to be in force on or before 04 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

- (b) if there have been two or more parts of that period during which the individual was a relevant overseas individual, the aggregate of the factors arrived at by the application of subsection (4) in relation to each of those parts of that period.
- (4) The factor arrived at by the application of this subsection in relation to any part of the active membership period is—

$$\frac{CV - OV}{SLA}$$

where—

CV is the closing value of the individual's rights under the arrangement,

OV is the opening value of the individual's rights under the arrangement, and

SLA is the standard lifetime allowance at the time when that part of that period ended.

- (5) For the purposes of subsection (4)—
 - (a) the closing value of the individual's rights under the arrangement is the amount which would, on the valuation assumptions (see section 277), be available for the provision of benefits to or in respect of the individual under the arrangement if the individual became entitled to the benefits at the end of that part of that period, and
 - (b) the opening value of the individual's rights under the arrangement is the amount which would, on the valuation assumptions, be available for the provision of benefits to or in respect of the individual under the arrangement if the individual became entitled to the benefits at the beginning of that part of that period.
- (6) The other money purchase arrangement non-residence factor is—
 - (a) the factor arrived at by the application of subsection (7) in relation to the part of the active membership period during which the individual was a relevant overseas individual, or
 - (b) if there have been two or more parts of that period during which the individual was a relevant overseas individual, the aggregate of the factors arrived at by the application of subsection (7) in relation to each of those parts of that period.
- (7) The factor arrived at by the application of this subsection in relation to any part of the active membership period is—

$$\frac{ROIC}{SLA}$$

where—

ROIC is the amount of the contributions made under the arrangement by or in respect of the individual in any part of the active membership period during which the individual is a relevant overseas individual, and

SLA is the standard lifetime allowance at the time when that part of that period ended.

Changes to legislation: Finance Act 2004, Chapter 5 is up to date with all changes known to be in force on or before 04 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

Modifications etc. (not altering text)

- C26** Ss. 214-226 applied by 2003 c. 1, s. 636A(5) (as inserted (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), [Sch. 31 para. 11](#) (with [Sch. 36](#)))
- C27** Ss. 214-226 applied (with modifications) (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\)](#), regs. 1(1), [5-11](#)
- C53** S. 222 modified (6.4.2006) by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), arts. 1(1), [12](#), [13](#)

Commencement Information

- I19** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

223 Non-residence: other arrangements

- (1) This section applies in the case of an arrangement that is not a money purchase arrangement.
- (2) The lifetime allowance enhancement factor is—
 - (a) if the arrangement is a defined benefits arrangement, the defined benefits arrangement non-residence factor (see subsections (3) and (4)), and
 - (b) if the arrangement is a hybrid arrangement, the hybrid arrangement non-residence factor (see subsections (5) to (7)).
- (3) The defined benefits arrangement non-residence factor is—
 - (a) the factor arrived at by the application of subsection (4) in relation to the part of the active membership period during which the individual was a relevant overseas individual, or
 - (b) if there have been two or more parts of that period during which the individual was a relevant overseas individual, the aggregate of the factors arrived at by the application of subsection (4) in relation to each of those parts of that period.
- (4) The factor arrived at by the application of this subsection in relation to any part of the active membership period is—

$$\frac{(\text{RVF} \times \text{PE} + \text{LSE}) - (\text{RVF} \times \text{PB} + \text{LSB})}{\text{SLA}}$$

where—

RVF is the relevant valuation factor (see section 276),

PE is the amount of the annual rate of the pension which would, on the valuation assumptions (see section 277), be payable to the individual under the arrangement if the individual became entitled to payment of it at the end of that part of that period,

LSE is the amount of the lump sum to which the individual would, on the valuation assumptions, be entitled under the arrangement (otherwise than by commutation of pension) if the individual became entitled to payment of it at the end of that part of that period,

Changes to legislation: Finance Act 2004, Chapter 5 is up to date with all changes known to be in force on or before 04 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

PB is the amount of the annual rate of the pension which would, on the valuation assumptions, be payable to the individual under the arrangement if the individual became entitled to payment of it at the beginning of that part of that period,

LSB is the amount of the lump sum to which the individual would, on the valuation assumptions, be entitled under the arrangement (otherwise than by commutation of pension) if the individual became entitled to payment of it at the beginning of that part of that period, and

SLA is the standard lifetime allowance at the time when that part of that period ended.

- (5) The hybrid arrangement non-residence factor is the greater or greatest of such of—
- (a) what would be the cash balance arrangement non-residence factor (under section 222) if the arrangement were a cash balance arrangement,
 - [^{F107}(aa) what would be the other money purchase arrangement non-residence factor (under that section) if the arrangement were a collective money purchase arrangement,]
 - (b) what would be the other money purchase arrangement non-residence factor (under that section) if the arrangement were [^{F108}a money purchase arrangement other than a cash balance arrangement or a collective money purchase arrangement], and
 - (c) what would be the defined benefits arrangement non-residence factor (under subsections (3) and (4)) if the arrangement were a defined benefits arrangement,
- as are relevant factors in relation to the arrangement.
- (6) A factor is a relevant factor in relation to a hybrid arrangement if, in any circumstances, the benefits that may be provided to or in respect of the individual under the arrangement may be benefits linked to that factor.
- (7) For that purpose—
- (a) cash balance benefits are linked to the cash balance arrangement non-residence factor,
 - (b) other money purchase benefits are linked to the other money purchase arrangement non-residence factor, and
 - (c) defined benefits are linked to the defined benefits arrangement non-residence factor.

Textual Amendments

F107 S. 223(5)(aa) inserted (1.8.2022) by Finance Act 2021 (c. 26), Sch. 5 paras. 11(2)(a), 25(1); S.I. 2022/874, reg. 2

F108 Words in s. 223(5)(b) substituted (1.8.2022) by Finance Act 2021 (c. 26), Sch. 5 paras. 11(2)(b), 25(1); S.I. 2022/874, reg. 2

Modifications etc. (not altering text)

C26 Ss. 214-226 applied by 2003 c. 1, s. 636A(5) (as inserted (6.4.2006) by Finance Act 2004 (c. 12), s. 284(1), Sch. 31 para. 11 (with Sch. 36))

C27 Ss. 214-226 applied (with modifications) (1.5.2010) by The Financial Assistance Scheme (Tax) Regulations 2010 (S.I. 2010/1187), regs. 1(1), 5-11

C54 S. 223 modified (6.4.2006) by The Taxation of Pension Schemes (Transitional Provisions) Order 2006 (S.I. 2006/572), arts. 1(1), 12, 14

Changes to legislation: Finance Act 2004, Chapter 5 is up to date with all changes known to be in force on or before 04 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

Commencement Information

I20 Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

224 Transfers from recognised overseas pension scheme: general

- (1) This section makes provision for the operation of a lifetime allowance enhancement factor with respect to a benefit crystallisation event occurring in relation to an individual where (at any time after 5th April 2006 but before the benefit crystallisation event) there has been a recognised overseas scheme transfer.
- (2) There is a “recognised overseas scheme transfer” if any sums or assets—
 - (a) held for the purposes of an arrangement under a recognised overseas pension scheme, or
 - (b) representing accrued rights under such an arrangement,are transferred so as to become held for the purposes of, or to represent rights under, an arrangement under a registered pension scheme relating to the individual.
- (3) The arrangement specified in subsection (2)(a) or (b) is referred to in this section and sections 225 and 226 as the “recognised overseas scheme arrangement”.
- (4) The lifetime allowance enhancement factor is the recognised overseas scheme transfer factor.
- (5) The recognised overseas scheme transfer factor is—

$$\frac{\text{AAT} - \text{RRA}}{\text{SLA}}$$

where—

AAT is the aggregate of the amount of any sums transferred, and the market value of any assets transferred, on the recognised overseas scheme transfer,

RRA is the relevant relievable amount, and

SLA is the standard lifetime allowance at the time when the recognised overseas scheme transfer took place.

- (6) Section 225 specifies the relevant relievable amount in the case of a recognised overseas scheme arrangement that was a money purchase arrangement; and section 226 specifies the relevant relievable amount in the case of an recognised overseas scheme arrangement that was any other sort of arrangement.
- (7) In this section and sections 225 and 226 “overseas arrangement active membership period” is the period—
 - (a) beginning with the date on which the benefits first began to accrue to or in respect of the individual under the recognised overseas scheme arrangement or, if later, 6th April 2006, and
 - (b) ending immediately before the recognised overseas scheme transfer.

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- (8) But if benefits ceased to accrue to or in respect of the individual under the recognised overseas scheme arrangement before the recognised overseas scheme transfer, the overseas arrangement active membership period is to be treated as having ended then.
- (9) This section only applies if notice of intention to rely on it is given to the Inland Revenue in accordance with regulations made by the Board of Inland Revenue.

Modifications etc. (not altering text)

- C26** Ss. 214-226 applied by 2003 c. 1, s. 636A(5) (as inserted (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), [Sch. 31 para. 11](#) (with [Sch. 36](#)))
- C27** Ss. 214-226 applied (with modifications) (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\)](#), regs. 1(1), [5-11](#)

Commencement Information

- I21** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

225 Overseas scheme transfers: money purchase arrangements

- (1) This section applies in the case of a recognised overseas scheme arrangement that was a money purchase arrangement.
- (2) The relevant relievable amount is—
- (a) if the recognised overseas scheme arrangement was a cash balance arrangement, the cash balance relevant relievable amount (see subsections (3) to (5)), and
 - (b) if the recognised overseas scheme arrangement was any other sort of money purchase arrangement, the other money purchase relevant relievable amount (see subsections (6) and (7)).
- (3) The cash balance relevant relievable amount is—
- (a) the amount arrived at by the application of subsection (4) in relation to the part of the overseas arrangement active membership period during which the individual was not a relevant overseas individual, or
 - (b) if there have been two or more parts of that period during which the individual was not a relevant overseas individual, the aggregate of the amounts arrived at by the application of subsection (4) in relation to each of those parts of that period.
- (4) The amount arrived at by the application of this subsection in relation to any part of the overseas arrangement active membership period is—

$$CV - OV$$

where—

CV is the closing value of the individual's rights under the arrangement, and

OV is the opening value of the individual's rights under the arrangement.

- (5) For the purposes of subsection (4)—

Changes to legislation: Finance Act 2004, Chapter 5 is up to date with all changes known to be in force on or before 04 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

- (a) the closing value of the individual's rights under the recognised overseas scheme arrangement is the amount which would, on the valuation assumptions (see section 277), be available for the provision of benefits to or in respect of the individual under the arrangement if the individual became entitled to the benefits at the end of that part of that period, and
 - (b) the opening value of the individual's rights under the arrangement is the amount which would, on the valuation assumptions, be available for the provision of benefits to or in respect of the individual under the arrangement if the individual became entitled to the benefits at the beginning of that part of that period.
- (6) The other money purchase relevant relievable amount is—
 - (a) the amount arrived at by the application of subsection (7) in relation to the part of the overseas arrangement active membership period during which the individual was not a relevant overseas individual, or
 - (b) if there have been two or more parts of that period during which the individual was not a relevant overseas individual, the aggregate of the amounts arrived at by the application of subsection (7) in relation to each of those parts of that period.
- (7) The amount arrived at by the application of this subsection in relation to any part of the overseas arrangement active membership period is the amount of the contributions made under the arrangement by or in respect of the individual in any part of the overseas arrangement active membership period during which the individual was not a relevant overseas individual.

Modifications etc. (not altering text)

C26 Ss. 214-226 applied by 2003 c. 1, s. 636A(5) (as inserted (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), [Sch. 31 para. 11](#) (with [Sch. 36](#)))

C27 Ss. 214-226 applied (with modifications) (1.5.2010) by [The Financial Assistance Scheme \(Tax\) Regulations 2010 \(S.I. 2010/1187\)](#), regs. 1(1), [5-11](#)

Commencement Information

I22 Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

226 Overseas scheme transfers: other arrangements

- (1) This section applies in the case of a recognised overseas scheme arrangement that was not a money purchase arrangement.
- (2) The relevant relievable amount is—
 - (a) if the recognised overseas scheme arrangement was a defined benefits arrangement, the defined benefits relevant relievable amount (see subsections (3) and (4)), and
 - (b) if the recognised overseas scheme arrangement was a hybrid arrangement, the hybrid relevant relievable amount (see subsections (5) to (7)).
- (3) The defined benefits relevant relievable amount is—

Changes to legislation: Finance Act 2004, Chapter 5 is up to date with all changes known to be in force on or before 04 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

- (a) the amount arrived at by the application of subsection (4) in relation to the part of the overseas arrangement active membership period during which the individual was not a relevant overseas individual, or
 - (b) if there have been two or more parts of that period during which the individual was not a relevant overseas individual, the aggregate of the amounts arrived at by the application of subsection (4) in relation to each of those parts of that period.
- (4) The amount arrived at by the application of this subsection in relation to any part of the overseas arrangement active membership period is—

$$(RVF \times PE + LSE) - (RVF \times PB + LSB)$$

where—

RVF is the relevant valuation factor (see section 276),

PE is the annual rate of the pension which would, on the valuation assumptions (see section 277), be payable to the individual under the recognised overseas scheme arrangement if the individual became entitled to payment of it at the end of that part of that period,

LSE is the amount of the lump sum to which the individual would, on the valuation assumptions, be entitled under the arrangement (otherwise than by commutation of pension) if the individual became entitled to payment of it at the end of that part of that period,

PB is the annual rate of the pension which would, on the valuation assumptions, be payable to the individual under the arrangement if the individual became entitled to payment of it at the beginning of that part of that period, and

LSB is the amount of the lump sum to which the individual would, on the valuation assumptions, be entitled under the arrangement (otherwise than by commutation of pension) if the individual became entitled to payment of it at the beginning of that part of that period.

- (5) The hybrid relevant relievable amount is the greater or greatest of such of—
- (a) what would be the cash balance relevant relievable amount (under section 225) if the recognised overseas scheme arrangement had been a cash balance arrangement,
 - [^{F109}(aa) what would be the other money purchase relevant relievable amount (under that section) if that arrangement had been a collective money purchase arrangement,]
 - (b) what would be the other money purchase relevant relievable amount (under that section) if that arrangement had been [^{F110}a money purchase arrangement other than a cash balance arrangement or a collective money purchase arrangement], and
 - (c) what would be the defined benefits relevant relievable amount (under subsections (3) and (4)) if that arrangement had been a defined benefits arrangement,

as are relevant to that arrangement.

Changes to legislation: Finance Act 2004, Chapter 5 is up to date with all changes known to be in force on or before 04 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

- (6) An amount is relevant to a hybrid arrangement if, in any circumstances, the benefits that may be provided to or in respect of the individual under the arrangement may be benefits linked to that amount.
- (7) For that purpose—
- (a) cash balance benefits are linked to the cash balance relevant relievable amount,
 - (b) other money purchase benefits are linked to the other money purchase relevant relievable amount, and
 - (c) defined benefits are linked to the defined benefits relevant relievable amount.

Textual Amendments

F109 S. 226(5)(aa) inserted (1.8.2022) by Finance Act 2021 (c. 26), Sch. 5 paras. 12(2)(a), 25(1); S.I. 2022/874, reg. 2

F110 Words in s. 226(5)(b) substituted (1.8.2022) by Finance Act 2021 (c. 26), Sch. 5 paras. 12(2)(b), 25(1); S.I. 2022/874, reg. 2

Modifications etc. (not altering text)

C26 Ss. 214-226 applied by 2003 c. 1, s. 636A(5) (as inserted (6.4.2006) by Finance Act 2004 (c. 12), s. 284(1), Sch. 31 para. 11 (with Sch. 36))

C27 Ss. 214-226 applied (with modifications) (1.5.2010) by The Financial Assistance Scheme (Tax) Regulations 2010 (S.I. 2010/1187), regs. 1(1), 5-11

Commencement Information

I23 Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

Annual allowance charge

227 Annual allowance charge

- (1) A charge to income tax, to be known as the annual allowance charge, arises [^{F111}where an individual who is a member of one or more registered pension schemes has a [^{F112}non-zero] chargeable amount for a tax year.]

[^{F113}(1A) The chargeable amount ^{F114}... is to be determined in accordance with section 227ZA.]

^{F115}(2)

^{F115}(3)

- (4) The annual allowance charge is a charge at the [^{F116}appropriate rate] in respect of [^{F117}the chargeable amount.]

^{F118}

[^{F119}(4A) The appropriate rate is—

- (a) the basic rate ^{F120}... in relation to so much (if any) of the [^{F121}chargeable amount] as, when added to the individual's reduced net income for the tax year, does not exceed the basic rate limit for the tax year,

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- (b) the higher rate ^{F122}... in relation to so much (if any) of the [^{F121}chargeable amount] as, when so added, exceeds the basic rate limit for the tax year but does not exceed the higher rate limit for the tax year, and
- (c) the additional rate ^{F123}... in relation to so much (if any) of the [^{F121}chargeable amount] as, when so added, exceeds the higher rate limit for the tax year.

[^{F124}But subsection (4AA) applies in the case of a Scottish taxpayer][^{F125}and subsection (4AB) applies in the case of a Welsh taxpayer].

[The appropriate rate for a Scottish taxpayer is—

- ^{F126}(4AA)
- (a) where the only Scottish rate is the Scottish basic rate (the “SBR”), that rate, or
 - (b) where there is more than one Scottish rate—
 - (i) the SBR in relation to so much (if any) of the chargeable amount as, when added to the individual’s reduced net income for the tax year, does not exceed the Scottish basic rate limit (“SBRL”) for the tax year,
 - (ii) the next highest rate after the SBR in relation to so much (if any) of the chargeable amount as, when so added, exceeds the SBRL for the tax year but does not exceed the rate limit for that rate for the tax year, and
 - (iii) where applicable, any other higher Scottish rate in relation to so much (if any) of the chargeable amount as, when so added, does not exceed the rate limit for that rate for the tax year.]

[The appropriate rate for a Welsh taxpayer is—

- ^{F127}(4AB)
- (a) the Welsh basic rate in relation to so much (if any) of the chargeable amount as, when added to the individual’s reduced net income for the tax year, does not exceed the basic rate limit for the tax year,
 - (b) the Welsh higher rate in relation to so much (if any) of the chargeable amount as, when so added, exceeds the basic rate limit for the tax year but does not exceed the higher rate limit for the tax year, and
 - (c) the Welsh additional rate in relation to so much (if any) of the chargeable amount as, when so added, exceeds the higher rate limit for the tax year.]

(4B) The individual's reduced net income for the tax year is the amount after taking Step 3 in section 23 of ITA 2007 in the case of the individual for the tax year.

[^{F128}(4C) Where—

- (a) the basic rate limit,
- (b) the higher rate limit,
- (c) the Scottish basic rate limit, or
- (d) any other Scottish rate limit,

is (in accordance with section 192 of this Act or section 414 of ITA 2007) increased in the case of the individual, the references to the limit in subsections (4A) [^{F129}, (4AA) and (4AB)] are to the limit as so increased.]]

(5) [^{F130}The chargeable amount] is not to be treated as income for any purpose of the Tax Acts.

^{F131}(5A)

^{F131}(5B)

(6) The following sections make further provision about the annual allowance charge—
 [^{F132}sections 227ZA and 227B (chargeable amount),]

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[^{F132}sections 227C to 227G (supplemental provision for calculations under section 227B),]
 section 228 (annual allowance),
 section [^{F133}229(1)] (total pension input amount to be aggregate of pension input amounts for pension input periods ending in tax year),
 [^{F134}section 229(2) to (4) (how to arrive at the pension input amount in respect of an arrangement),]
 sections 230 to 237 (pension input amounts),
 [^{F135}sections 237A to 237F (persons liable to charge),] and
 section 238 (pension input period).

(7) Schedule 36 contains (in Part 4) transitional provision about the annual allowance charge.

Textual Amendments

- F111** Words in s. 227(1) substituted (17.12.2014) (with effect in accordance with Sch. 1 para. 63(8) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 63\(2\)](#)
- F112** Words in s. 227(1) inserted (with effect in accordance with Sch. 4 para. 11(4) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [Sch. 4 para. 11\(2\)\(a\)](#)
- F113** S. 227(1A) inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 63(8) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 63\(3\)](#)
- F114** Words in s. 227(1A) omitted (with effect in accordance with Sch. 4 para. 11(4) of the amending Act) by virtue of [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [Sch. 4 para. 11\(2\)\(b\)](#)
- F115** S. 227(2)(3) omitted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 3\(2\)](#)
- F116** Words in s. 227(4) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 3\(3\)](#)
- F117** Words in s. 227(4) substituted (17.12.2014) (with effect in accordance with Sch. 1 para. 63(8) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 63\(4\)](#)
- F118** Words in s. 227(4) omitted (17.12.2014) (with effect in accordance with Sch. 1 para. 66(3) of the amending Act) by virtue of [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 66\(2\)\(a\)](#)
- F119** S. 227(4A)-(4C) inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 3\(4\)](#)
- F120** Words in s. 227(4A)(a) omitted (with effect in accordance with reg. 1(2) of the amending S.I.) by virtue of [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), regs. 1(1), [4\(2\)\(a\)](#)
- F121** Words in s. 227(4A) substituted (17.12.2014) (with effect in accordance with Sch. 1 para. 63(8) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 63\(5\)](#)
- F122** Words in s. 227(4A)(b) omitted (with effect in accordance with reg. 1(2) of the amending S.I.) by virtue of [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), regs. 1(1), [4\(2\)\(b\)](#)
- F123** Words in s. 227(4A)(c) omitted (with effect in accordance with reg. 1(2) of the amending S.I.) by virtue of [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), regs. 1(1), [4\(2\)\(c\)](#)
- F124** Words in s. 227(4A) inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), regs. 1(1), [4\(3\)](#)
- F125** Words in s. 227(4A) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Devolved Income Tax Rates \(Consequential Amendments\) Order 2019 \(S.I. 2019/201\)](#), arts. 1(1), [7\(2\)](#)
- F126** S. 227(4AA) inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), regs. 1(1), [4\(4\)](#)

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- F127** S. 227(4AB) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Devolved Income Tax Rates \(Consequential Amendments\) Order 2019 \(S.I. 2019/201\)](#), arts. 1(1), **7(3)**
- F128** S. 227(4C) substituted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), regs. 1(1), **4(5)**
- F129** Words in s. 227(4C) substituted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Devolved Income Tax Rates \(Consequential Amendments\) Order 2019 \(S.I. 2019/201\)](#), arts. 1(1), **7(4)**
- F130** Words in s. 227(5) substituted (17.12.2014) (with effect in accordance with Sch. 1 para. 63(8) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 63(6)**
- F131** S. 227(5A)(5B) omitted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), **Sch. 17 para. 3(5)**
- F132** Words in s. 227(6) inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 63(8) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 63(7)(a)**
- F133** Word in s. 227(6) substituted (17.12.2014) (with effect in accordance with Sch. 1 para. 63(8) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 63(7)(b)**
- F134** Words in s. 227(6) inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 63(8) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 63(7)(c)**
- F135** S. 227(6) entry inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 17 para. 3(6)**

Modifications etc. (not altering text)

- C55** S. 227 modified (6.4.2006) by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\) Regulations 2006 \(S.I. 2006/207\)](#), regs. 1(1), **8**
- C56** S. 227 revocation of earlier affecting provision S.I. 2006/207, reg. 8 (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Registered Pension Schemes \(Miscellaneous Amendments\) Regulations 2011 \(S.I. 2011/1751\)](#), regs. 1(1), **12(2)**
- C57** S. 227 modified (1.4.2012) by [The Postal Services Act 2011 \(Taxation\) Regulations 2012 \(S.I. 2012/764\)](#), regs. 1(1), **24**; [S.I. 2012/687](#); [S.I. 2012/688](#); [S.I. 2012/966](#)

Commencement Information

- I24** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

[^{F136}227ZA] The chargeable amount

- (1) The chargeable amount is the alternative chargeable amount (see section 227B) if—
 - (a) the year is—
 - (i) the tax year in which the individual first flexibly accesses pension rights (see section 227G), or
 - (ii) a tax year later than that tax year,
 - (b) the money-purchase input sub-total (see section 227C) exceeds [^{F137}£10,000], and
 - (c) the alternative chargeable amount exceeds the default chargeable amount.
- (2) Otherwise, the chargeable amount is the default chargeable amount.
- (3) The default chargeable amount is the amount (if any) by which—
 - (a) the total pension input amount calculated in accordance with section 229(1), exceeds
 - (b) the annual allowance for the year in the case of the individual (see sections 228(1) and 228A).

[If there is no such excess, the default chargeable amount is zero.]

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^{F138}(4)

Textual Amendments

F136 S. 227ZA inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 64(2) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 64**

F137 Sum in s. 227ZA(1)(b) substituted (for the tax year 2023-24 and subsequent tax years) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), **s. 21(2)(a)(4)**

F138 S. 227ZA(4) inserted (with effect in accordance with Sch. 4 para. 11(4) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), **Sch. 4 para. 11(3)**

^{F139}**227A Individuals who meet flexible drawdown conditions**

.....

Textual Amendments

F139 S. 227A omitted (17.12.2014) (with effect in accordance with Sch. 1 para. 66(3) of the amending Act) by virtue of [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 66(1)**

^{F140}**227B The alternative chargeable amount**

- (1) The alternative chargeable amount is the total of—
 - (a) the amount (if any) by which the defined-benefit input sub-total exceeds the alternative annual allowance, and
 - (b) the amount by which the money-purchase input sub-total exceeds ^{F141}£10,000].

^{F142}^{F143}^{F144}(2) The alternative annual allowance is—

$AA - \text{£}\text{£}10,000$
 where ^{F145}X] is the annual allowance for the year in the case of the individual (see sections 228(1) and 228A).]

- (3) The defined-benefit input sub-total is the total of—
 - (a) the pension input amounts in respect of each defined benefits arrangement relating to the individual under a registered pension scheme of which the individual is a member (see section 229(2)(c)),
 - (b) the pension input amounts in respect of each hybrid arrangement—
 - (i) relating to the individual under a registered pension scheme of which the individual is a member, and
 - (ii) in respect of which the pension input amount is input amount C mentioned in section 237, and
 - (c) any amounts required to be included by section ^{F146}... 227F(4) or (6) (pension input periods that end in the year ^{F147}and contain] the day on which rights are first flexibly accessed ^{F148}...).
- (4) Subsection (3)(b) is subject to section 227D (pension input amounts for certain hybrid arrangements).
- (5) If, in the case of a hybrid arrangement, input amount C mentioned in section 237—

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- (a) is a relevant input amount for the purposes of section 237, and
- (b) is equal to—
 - (i) input amount A [^{F149}, AA] or B mentioned in section 237 if that is the only other relevant input amount for the purposes of section 237, or
 - (ii) the greater [^{F150} or greatest] of input amounts A [^{F151}, AA] and B mentioned in section 237 if [^{F152} at least two of those amounts] are relevant input amounts for the purposes of section 237,

the pension input amount in respect of the arrangement is, for the purposes of subsection (3)(b) and sections 227C(1)(b) and 227D(1)(c), treated as being input amount A [^{F153}, AA] or B or, as the case may be, the greater [^{F154} or greatest] of input amounts A [^{F153}, AA] and B (and, in either case, not input amount C).

Textual Amendments

- F140** Ss. 227B-227G inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 65(2) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\), Sch. 1 para. 65\(1\)](#)
- F141** Sum in s. 227B(1)(b) substituted (for the tax year 2023-24 and subsequent tax years) by [Finance \(No. 2\) Act 2023 \(c. 30\), s. 21\(2\)\(b\)\(4\)](#)
- F142** "X" substituted for "AA" in s. 227B(2) formula substituted (1.8.2022) by [Finance Act 2021 \(c. 26\), Sch. 5 paras. 13\(2\), 25\(1\); S.I. 2022/874, reg. 2](#)
- F143** S. 227B(2) formula: "£10,000" substituted for "£4000" (for the tax year 2023-24 and subsequent tax years) by [Finance \(No. 2\) Act 2023 \(c. 30\), s. 21\(2\)\(b\)\(4\)](#)
- F144** "£4,000" in s. 227B(2) formula substituted (with effect in accordance with s. 7(5) of the amending Act) for "£10,000" by [Finance \(No. 2\) Act 2017 \(c. 32\), s. 7\(3\)](#)
- F145** Word in s. 227B(2) substituted (1.8.2022) by [Finance Act 2021 \(c. 26\), Sch. 5 paras. 13\(2\), 25\(1\); S.I. 2022/874, reg. 2](#)
- F146** Words in s. 227B(3)(c) omitted (with effect in accordance with Sch. 4 para. 4(3) of the amending Act) by virtue of [Finance \(No. 2\) Act 2015 \(c. 33\), Sch. 4 para. 4\(2\)\(a\)\(i\)](#)
- F147** Words in s. 227B(3)(c) substituted (with effect in accordance with Sch. 4 para. 4(3) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\), Sch. 4 para. 4\(2\)\(a\)\(ii\)](#)
- F148** Words in s. 227B(3)(c) omitted (with effect in accordance with Sch. 4 para. 4(3) of the amending Act) by virtue of [Finance \(No. 2\) Act 2015 \(c. 33\), Sch. 4 para. 4\(2\)\(a\)\(iii\)](#)
- F149** Word in s. 227B(5)(b)(i) inserted (1.8.2022) by [Finance Act 2021 \(c. 26\), Sch. 5 paras. 13\(3\), 25\(1\); S.I. 2022/874, reg. 2](#)
- F150** Words in s. 227B(5)(b)(ii) inserted (1.8.2022) by [Finance Act 2021 \(c. 26\), Sch. 5 paras. 13\(4\)\(a\), 25\(1\); S.I. 2022/874, reg. 2](#)
- F151** Word in s. 227B(5)(b)(ii) inserted (1.8.2022) by [Finance Act 2021 \(c. 26\), Sch. 5 paras. 13\(4\)\(b\), 25\(1\); S.I. 2022/874, reg. 2](#)
- F152** Words in s. 227B(5)(b)(ii) substituted (1.8.2022) by [Finance Act 2021 \(c. 26\), Sch. 5 paras. 13\(4\)\(c\), 25\(1\); S.I. 2022/874, reg. 2](#)
- F153** Word in s. 227B(5) inserted (1.8.2022) by [Finance Act 2021 \(c. 26\), Sch. 5 paras. 13\(5\)\(a\), 25\(1\); S.I. 2022/874, reg. 2](#)
- F154** Words in s. 227B(5) inserted (1.8.2022) by [Finance Act 2021 \(c. 26\), Sch. 5 paras. 13\(5\)\(b\), 25\(1\); S.I. 2022/874, reg. 2](#)

227C Meaning of “money-purchase input sub-total”

- (1) The money-purchase input sub-total is the total of—
 - (a) the pension input amounts in respect of each money purchase arrangement relating to the individual under a registered pension scheme of which the individual is a member (see section 229(2)(a) and (b)), and

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- (b) the pension input amounts in respect of each hybrid arrangement—
 - (i) relating to the individual under a registered pension scheme of which the individual is a member, and
 - (ii) in respect of which the pension input amount is input amount A [^{F155}, AA] or B mentioned in section 237.
- (2) Subsection (1) is to be read with—
 - ^{F156}(a)
 - (b) section 227F(2), (3) and (5) (pension input periods that end in the tax year and contain [^{F157}the day on which rights are first flexibly accessed]).
- (3) Subsection (1)(b) is to be read with—
 - (a) section 227B(5) (hybrid arrangements where input amount C is highest-equal input amount), and
 - (b) section 227D (pension input amounts for certain hybrid arrangements).

Textual Amendments

- F140** Ss. 227B-227G inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 65(2) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 65\(1\)](#)
- F155** Word in s. 227C(1)(b)(ii) inserted (1.8.2022) by [Finance Act 2021 \(c. 26\)](#), [Sch. 5 paras. 14\(2\), 25\(1\)](#); [S.I. 2022/874, reg. 2](#)
- F156** S. 227C(2)(a) and word omitted (with effect in accordance with Sch. 4 para. 4(3) of the amending Act) by virtue of [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [Sch. 4 para. 4\(2\)\(b\)](#)
- F157** Words in s. 227C(2)(b) substituted (with effect in accordance with Sch. 4 para. 4(3) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [Sch. 4 para. 4\(2\)\(c\)](#)

227D Pension input amounts in respect of certain hybrid arrangements

- (1) In this section “relevant hybrid arrangement” means a hybrid arrangement—
 - (a) relating to the individual under a registered pension scheme of which the individual is a member,
 - (b) made on or after 14 October 2014 or having become a hybrid arrangement (whether or not for the first time) on or after that day, and
 - (c) in respect of which the pension input amount is input amount C mentioned in section 237.
- (2) As respects each relevant hybrid arrangement in the maximising set of relevant hybrid arrangements—
 - (a) the pension input amount in respect of the arrangement is for the purposes of sections 227B(3)(b) and 227C(1)(b) treated as being not input amount C mentioned in section 237 but, instead, the greater [^{F158}or greatest] of such of input amounts A [^{F159}, AA] and B mentioned in section 237 as are, for the purposes of section 237, relevant input amounts in the case of the arrangement, and
 - (b) accordingly, the arrangement—
 - (i) is not to be included among the arrangements mentioned in section 227B(3)(b) whose pension input amounts are totalled under section 227B(3), but

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- (ii) is to be included among the arrangements mentioned in section 227C(1)(b) whose pension input amounts are totalled under section 227C(1).
- (3) For the purposes of subsection (2)—
- (a) the maximising set contains no relevant hybrid arrangements,
 - (b) a particular relevant hybrid arrangement makes up that set, or
 - (c) two or more particular relevant hybrid arrangements make up that set,
- if the alternative chargeable amount with the maximising set so made up is not less than it would be with the maximising set made up in any other way.
- (4) In particular, the maximising set may be identified by taking the following steps—
- Step 1* Identify all of the relevant hybrid arrangements.
 - Step 2* Identify all of the different combinations of the arrangements identified at Step 1 (including the combination consisting of all of those arrangements, and the combination consisting of none of them, as well as every possible combination of each possible size in between).
 - Step 3* For each combination identified at Step 2 calculate what the money-purchase input sub-total would be if each relevant hybrid arrangement in the combination were treated in accordance with the rules in paragraphs (a) and (b) of subsection (2).
 - Step 4* If the result of each calculation at Step 3 is less than or equal to [F160£10,000] the chargeable amount is the default chargeable amount.
 - Step 5* If the amount calculated at Step 3 for a combination is greater than [F160£10,000] then calculate in accordance with section 227B what the alternative chargeable amount would be if—
 - (a) each relevant hybrid arrangement in the combination were treated in accordance with the rules in paragraphs (a) and (b) of subsection (2), and
 - (b) for each relevant hybrid arrangement not in the combination, input amount C mentioned in section 237 were included in the total under section 227B(3).
 - Step 6* Identify the highest (or higher) of the amounts calculated at Step 5. The maximising set is made up of each relevant hybrid arrangement in the combination concerned.
- (5) Subsection (1)(c) is to be read with section 227B(5) (hybrid arrangements where input amount C is highest-equal input amount).

F161 (6)

Textual Amendments

- F140** Ss. 227B-227G inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 65(2) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 65\(1\)](#)
- F158** Words in s. 227D(2)(a) inserted (1.8.2022) by [Finance Act 2021 \(c. 26\)](#), [Sch. 5 paras. 15\(2\)\(a\)](#), 25(1); [S.I. 2022/874](#), reg. 2
- F159** Word in s. 227D(2)(a) inserted (1.8.2022) by [Finance Act 2021 \(c. 26\)](#), [Sch. 5 paras. 15\(2\)\(b\)](#), 25(1); [S.I. 2022/874](#), reg. 2
- F160** Sum in s. 227D(4) substituted (for the tax year 2023-24 and subsequent tax years) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), [s. 21\(2\)\(c\)\(4\)](#)

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F161 S. 227D(6) omitted (with effect in accordance with Sch. 4 para. 4(3) of the amending Act) by virtue of Finance (No. 2) Act 2015 (c. 33), **Sch. 4 para. 4(2)(d)**

F162 227E Pension input periods ending before rights are first flexibly accessed

.....

Textual Amendments

F140 Ss. 227B-227G inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 65(2) of the amending Act) by Taxation of Pensions Act 2014 (c. 30), **Sch. 1 para. 65(1)**

F162 S. 227E omitted (with effect in accordance with Sch. 4 para. 4(3) of the amending Act) by virtue of Finance (No. 2) Act 2015 (c. 33), **Sch. 4 para. 4(1)**

227F Pension input periods in which rights are first flexibly accessed

- (1) Subject to subsection (7), subsections (2) to (6) apply if, for an arrangement mentioned in section 227C(1), the pension input period ending in the tax year contains the day on which the individual first flexibly accesses pension rights (whether or not that day is in the tax year).

- (2) If the arrangement is a cash balance arrangement, the pension input amount in respect of that arrangement is for the purposes of section 227C(1)(a) treated as being—

$$F \text{ PIP} \times \text{APIA}$$

where—

APIA is the (actual) pension input amount in respect of the arrangement (see section 229(2)(a)),

F is the number of days in the period—

- (a) beginning with the day after that on which the individual first flexibly accesses pension rights, and
- (b) ending at the end of the pension input period mentioned in subsection (1), and

PIP is the number of days in that pension input period.

- (3) If the arrangement is a money purchase arrangement other than a cash balance arrangement, the pension input amount in respect of that arrangement is for the purposes of section 227C(1)(a) treated as being the amount in respect of the arrangement that would be arrived at under section 233 for a pension input period—

- (a) beginning with the day after that on which the individual first flexibly accesses pension rights, and
- (b) ending at the end of the pension input period mentioned in subsection (1).

- (4) If the arrangement is a money purchase arrangement, the amount (if any) by which—

- (a) the (actual) pension input amount in respect of the arrangement (see section 229(2)(a) or (b)), exceeds
- (b) the amount treated by subsection (2) or (3) as being the pension input amount in respect of the arrangement,

is required to be included in the defined-benefit input sub-total calculated under section 227B(3).

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(5) If the arrangement is a hybrid arrangement—

- (a) input amount A mentioned in section 237 is for the purposes of sections 227C(1)(b) and 227D(2) treated as being—

$$F \text{ PIP} \times \text{AAIAA}$$

where—

AAIAA is the (actual) amount of input amount A for the arrangement,

F is the number of days in the period—

- (a) beginning with the day after that on which the individual first flexibly accesses pension rights, and
 (b) ending at the end of the pension input period mentioned in subsection (1), and

PIP is the number of days in that pension input period, and

- (b) input amount [^{F163}AA or] B mentioned in section 237 is for the purposes of sections 227C(1)(b) and 227D(2) treated as being the amount for the arrangement that would be arrived at under section 233 for a pension input period—

- (i) beginning on the day after that on which the individual first flexibly accesses pension rights, and
 (ii) ending at the end of the pension input period mentioned in subsection (1).

(6) If the arrangement is a hybrid arrangement, the amount (if any) by which—

- (a) the (actual) pension input amount in respect of the arrangement (see section 229(2)(d)), exceeds
 (b) the amount which, in accordance with subsection (5) and section 227D, is for the purposes of section 227C(1)(b) the pension input amount in respect of the arrangement,

is required to be included in the defined-benefit input sub-total calculated under section 227B(3).

(7) Subsections (2) to (6) do not apply if section 165(3A) applied in the individual's case to the arrangement, or any other arrangement, at any time before 6 April 2015.

Textual Amendments

F140 Ss. 227B-227G inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 65(2) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 65\(1\)](#)

F163 Words in [s. 227F\(5\)\(b\)](#) inserted (1.8.2022) by [Finance Act 2021 \(c. 26\)](#), [Sch. 5 paras. 16\(2\), 25\(1\)](#); [S.I. 2022/874, reg. 2](#)

227G When pension rights are first flexibly accessed

(1) References in sections 227B to 227F to when the individual first flexibly accesses pension rights are to the time, or the earlier or earliest of the times, given for that by the following subsections.

(2) If—

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- (a) the individual has a member's flexi-access drawdown fund in respect of an arrangement, and
 - (b) the fund came into being—
 - (i) as a result of sums or assets being designated on or after 6 April 2015 as available for the payment of drawdown pension, or
 - (ii) as a result of the operation of paragraph 8D(2) of Schedule 28,

the individual first flexibly accesses pension rights immediately before the first qualifying payment is made from the fund (see subsection (10)).
- (3) If section 165(3A) applied in the individual's case to an arrangement at any time before 6 April 2015, the individual first flexibly accesses pension rights at the start of 6 April 2015.
- (4) If—
 - (a) the individual has a member's drawdown pension fund in respect of an arrangement, and
 - (b) the sums and assets that make up the fund become newly-designated funds by the operation of paragraph 8B of Schedule 28,

the individual first flexibly accesses pension rights immediately before the first qualifying payment (see subsection (10)) is made from the individual's member's flexi-access drawdown fund in respect of the arrangement (whether that is the payment that triggers the operation of paragraph 8B of Schedule 28 or a subsequent payment).
- (5) If—
 - (a) the individual has a member's drawdown pension fund in respect of an arrangement, and
 - (b) the sums and assets that make up the fund become newly-designated funds by the operation of paragraph 8C of Schedule 28,

the individual first flexibly accesses pension rights immediately before the first qualifying payment is made from the individual's member's flexi-access drawdown fund in respect of the arrangement (see subsection (10)).
- (6) The individual first flexibly accesses pension rights immediately before the payment of the first uncrystallised funds pension lump sum paid to the individual.
- (7) If the individual is entitled to payment of a lifetime annuity under a flexible annuity contract (see subsection (8)), the individual first flexibly accesses pension rights immediately before the first payment of the annuity is made.
- (8) In subsection (7) “flexible annuity contract” means a contract for a lifetime annuity where—
 - (a) the annuity is within paragraph 3(1A) of Schedule 28, and
 - (b) the terms of the contract are such that there will or could be decreases in the amount of the annuity other than decreases from time to time allowed by regulations under paragraph 3(1)(d) of Schedule 28 (and any such regulations are to be treated as having effect for this purpose).
- (9) If—
 - (a) the individual is entitled to payment of a scheme pension under a [^{F164}relevant] arrangement under a registered pension scheme,
 - (b) the individual became entitled to the scheme pension—
 - (i) on or after 6 April 2015, and

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- (ii) at a time when fewer than 11 other individuals were entitled to the present payment of a scheme pension, or dependants' scheme pension, under the registered pension scheme, and
 - (c) the scheme pension is not payable under an annuity contract treated under section 153(8) or (8A) as having become a registered pension scheme, the individual first flexibly accesses pension rights immediately before the first payment of the scheme pension is made.
- [In subsection (9), “relevant arrangement” means a money purchase arrangement that ^{F165}(9A) is not a collective money purchase arrangement.]
- (10) In subsections (2), (4) and (5), a reference to a qualifying payment from a fund is a reference to—
- (a) payment of income withdrawal from the fund, or
 - (b) payment of a short-term annuity purchased using sums or assets out of the fund,
- but does not include payment at a time when the whole of the fund represents rights attributable to a disqualifying pension credit.
- (11) In subsection (10) “disqualifying pension credit” is to be read in accordance with paragraph 2(3) and (4) of Schedule 29.]

Textual Amendments

- F140** Ss. 227B-227G inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 65(2) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 65\(1\)](#)
- F164** Word in [s. 227G\(9\)\(a\)](#) substituted (1.8.2022) by [Finance Act 2021 \(c. 26\)](#), [Sch. 5 paras. 17\(2\), 25\(1\)](#); [S.I. 2022/874, reg. 2](#)
- F165** [S. 227G\(9A\)](#) inserted (1.8.2022) by [Finance Act 2021 \(c. 26\)](#), [Sch. 5 paras. 17\(3\), 25\(1\)](#); [S.I. 2022/874, reg. 2](#)

[^{F166}228 Annual allowance

- [^{F167}(1) The annual allowance for the tax year 2023-24 and, subject to subsection (2), each subsequent tax year is £60,000.]
- (2) The Treasury may by order provide that the annual allowance for any tax year subsequent to the tax year [^{F168}2023-24] is such amount as is specified in the order.]

Textual Amendments

- F166** S. 228(1) substituted (with effect in accordance with s. 49(4) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [s. 49\(2\)](#)
- F167** S. 228(1) substituted (11.7.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), [s. 20\(2\)](#)
- F168** Word in s. 228(2) substituted (11.7.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), [s. 20\(3\)](#)

[^{F169}228ZAapered reduction of annual allowance: high-income individual

- ^{F170}[^{F171}(1) If the individual is a high-income individual for the tax year, the amount of the annual allowance for the tax year in the case of the individual is the amount specified for the tax year by or under section 228 reduced (but not below [^{F172}£10,000]) by—

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$$(AI - £240,000) \times 12$$

where AI is the individual's adjusted income for the tax year.]

- (2) If the amount of the reduction under subsection (1) would otherwise not be a multiple of £1, it is to be rounded down to the nearest amount which is a multiple of £1.
- (3) The individual is a “high-income individual” for the tax year if—
- (a) the individual's adjusted income for the tax year is more than [^{F173}£260,000] and
 - (b) the individual's threshold income for the tax year is more than the amount given by [^{F174}[^{F175}£260,000] minus the amount specified for the tax year by or under section 228].
- (4) The individual's “adjusted income” for the tax year is—
- (a) the individual's net income for the year (see Step 2 of the calculation in section 23 of ITA 2007), plus
 - (b) the amount of any relief under section 193(4) or 194(1) deducted at that Step, plus
 - (c) the amount of any deductions made from employment income of the individual for the year—
 - (i) under section 193(2), or
 - (ii) under Chapter 2 of Part 5 of ITEPA 2003 in accordance with paragraph 51(2) of Schedule 36, plus
 - (d) an amount equal to—
 - (i) the total pension input amount calculated in accordance with section 229(1), less
 - (ii) the amount of any contributions paid by or on behalf of the individual during the year under registered pension schemes of which the individual is a member, less
 - (e) the amount of any lump sum which accrues in the year and in relation to which section 579A of ITEPA 2003 is applied by section 636A(4ZA) of ITEPA 2003.
- (5) The individual's “threshold income” for the tax year is—
- (a) the individual's net income for the year (see Step 2 of the calculation in section 23 of ITA 2007), plus
 - (b) any amount by which what would otherwise be general earnings or specific employment income of the individual for the year has been reduced by relevant salary sacrifice arrangements or relevant flexible remuneration arrangements, less
 - (c) the amount (before any deduction under section 192(1)) of any contribution paid in the year in respect of which the individual is entitled to be given relief under section 192 (relief at source), less
 - (d) the amount of any lump sum which accrues in the year and in relation to which section 579A of ITEPA 2003 is applied by section 636A(4ZA) of ITEPA 2003.
- (6) In subsection (5)—
- “relevant salary sacrifice arrangements” means arrangements—
- (a) under which the individual gives up the right to receive general earnings or specific employment income in return for the making of relevant pension provision, and

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- (b) which are made on or after 9 July 2015 (and whether before or after the start of the employment concerned), and
 “relevant flexible remuneration arrangements” means arrangements—
 - (a) under which the individual and an employer of the individual agree that relevant pension provision is to be made rather than the individual receive some description of employment income, and
 - (b) which are made on or after 9 July 2015 (and whether before or after the start of the employment concerned).
- (7) In subsection (6) “relevant pension provision” means the payment of contributions (or additional contributions) to a pension scheme in respect of the individual or otherwise (by an employer of the individual or any other person) to secure an increase in the amount of the benefits to which the individual or any person who is a dependant of, or is connected with, the individual is actually or prospectively entitled under a pension scheme.
- (8) In subsection (7) “increase” includes increase from nil.
- (9) Section 993 of ITA 2007 (meaning of “connected” persons) applies for the purposes of subsection (7).

Textual Amendments

- F169** Ss. 228ZA, 228ZB inserted (with effect in accordance with Sch. 4 para. 10(2) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), **Sch. 4 para. 10(1)**
- F170** S. 228ZA(1) formula: “£260,000” substituted for “£240,000” (for the tax year 2023-24 and subsequent tax years) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), **s. 22(2)(b)(4)**
- F171** S. 228ZA(1) substituted (6.4.2020 for the tax year 2020-21 and subsequent tax years) by [Finance Act 2020 \(c. 14\)](#), **s. 22(2)(4)**
- F172** Sum in s. 228ZA(1) substituted (for the tax year 2023-24 and subsequent tax years) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), **s. 22(2)(a)(4)**
- F173** Sum in s. 228ZA(3)(a) substituted (for the tax year 2023-24 and subsequent tax years) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), **s. 22(3)(4)**
- F174** Words in s. 228ZA(3)(b) substituted (6.4.2020 for the tax year 2020-21 and subsequent tax years) by [Finance Act 2020 \(c. 14\)](#), **s. 22(3)(b)(4)**
- F175** Sum in s. 228ZA(3)(b) substituted (for the tax year 2023-24 and subsequent tax years) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), **s. 22(3)(4)**

228ZB Anti-avoidance in connection with section 228ZA

- (1) Subsection (5) applies if there are arrangements in respect of which conditions A to C are met.
- (2) Condition A is that it is reasonable to assume that the main purpose, or one of the main purposes, of the arrangements is to reduce the amount of the reduction under section 228ZA(1) in the individual's case—
 - (a) for the tax year, or
 - (b) for two or more tax years which include the tax year.
- (3) Condition B is that the arrangements involve either or both of the following—
 - (a) reducing the individual's adjusted income for the tax year, and
 - (b) reducing the individual's threshold income for the tax year.

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- (4) Condition C is that the arrangements involve the reduction within subsection (3), or any of the reductions within subsection (3), being redressed by an increase in the individual's adjusted income, or threshold income, for a different tax year.
- (5) The reduction under section 228ZA(1) in the individual's case for the tax year is to be treated as being what it would be apart from the arrangements.
- (6) In subsection (2) “reduce” includes reduce to nil.
- (7) The increase mentioned in subsection (4) may be an increase in what would be the individual's adjusted income, or threshold income, for the tax year 2015-16 if section 228ZA—
 - (a) had effect for that year, and
 - (b) did so as if the total pension input amount mentioned in section 228ZA(4)(d)
 - (i) were the sum of the total pension input amounts for the pre-alignment and post-alignment tax years (see section 228C(2)).
- (8) In this section “arrangements” includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable).]

Textual Amendments

F169 Ss. 228ZA, 228ZB inserted (with effect in accordance with Sch. 4 para. 10(2) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [Sch. 4 para. 10\(1\)](#)

[^{F176}228A] Carry forward of unused annual allowance

- (1) This section applies if the individual has unused annual allowance available for the tax year (“the current tax year”).
- (2) The annual allowance for the current tax year in the case of the individual is to be treated as increased by the amount of the unused annual allowance available for the current tax year.
- (3) The individual has unused annual allowance available for the current tax year if—
 - (a) the amount of the annual allowance (before any increase under this section) for the immediately preceding tax year exceeded the total pension input amount in the case of the individual for that tax year, or
 - (b) the amount of the annual allowance (before any such increase) for either or both of the two tax years immediately preceding that immediately preceding tax year exceeded the total pension input amount in the case of the individual for the tax year concerned and the excess (or, where there is an excess for both of those tax years, the excess for both tax years) has not been used up,or both.
- (4) Subsection (3)—
 - (a) does not apply in relation to a tax year preceding the current tax year unless the individual was a member of a registered pension scheme at some time during that tax year, but
 - (b) subject to that, applies in relation to such a tax year even if the total pension input amount in the case of the individual for that tax year was nil (in which

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case the excess within paragraph (a) or (b) of that subsection is the whole amount of the annual allowance before any increase under this section).

- (5) The amount of the unused annual allowance available for the current tax year is the aggregate of—
- (a) any excess within subsection (3)(a), and
 - (b) so much of any excess within subsection (3)(b) as has not been used up.
- (6) An amount of an excess within subsection (3)(b) for a tax year has been “used up” if—
- (a) for a tax year falling between that tax year and the current tax year (an “intervening tax year”), the total pension input amount in the case of the individual exceeded the annual allowance (apart from any increase under this section), and
 - (b) the amount of the excess had effect by virtue of this section to reduce (or eliminate) the annual allowance charge for the intervening tax year in the case of the individual.
- (7) In calculating for the purposes of subsection (6) the amount of which of the excesses for different tax years had effect to reduce or eliminate the annual allowance charge for an intervening tax year, an amount of the excess for an earlier tax year is to be taken to have done so before that for a later tax year.
- [If, for a tax year preceding the current tax year, the chargeable amount in the
- ^{F177}(8) individual's case was the alternative chargeable amount—
- (a) a reference in subsection (3)(a) or (b), (4)(b) or (6)(a) to the annual allowance for that preceding tax year is a reference to the alternative annual allowance for that preceding tax year (see section 227B(2)), and
 - (b) a reference in subsection (3)(a) or (b), (4)(b) or (6)(a) to the total pension input amount in the case of the individual for that preceding tax year is a reference to the defined-benefit input sub-total in the case of the individual for that preceding tax year (see section 227B(3) to (5)).
- (9) Subsection (3) does not apply in relation to a tax year—
- (a) preceding the current tax year, and
 - (b) ending not later than 5 April 2015,
- if, at any time in that preceding tax year, section 165(3A) or 167(2A) applied to an arrangement relating to the individual.]]

Textual Amendments

F176 S. 228A inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 5](#)

F177 Ss. 228A(8)(9) inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 67(2) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 67\(1\)](#)

Modifications etc. (not altering text)

C58 S. 228A applied (with modifications) (19.7.2011) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 paras. 29, 30](#)

[^{F178}228B Carry forward: certain periods treated as pension input periods

- (1) This section applies where the first pension input period for a relevant arrangement relating to an individual ends in the tax year 2011-12, 2012-13 or 2013-14.

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- (2) A period is a “carry forward period” for the purposes of this section if it—
 - (a) is one of the 3 consecutive periods of 12 months immediately before the commencement date of the first pension input period, and
 - (b) is a period in which the arrangement was in existence at any time.
- (3) Any amount that would, if a carry forward period were a pension input period of the arrangement, have been unused annual allowance available to the individual for the tax year 2011-12, 2012-13 or 2013-14 is to be treated as unused annual allowance available to the individual for that tax year.
- (4) In this section “relevant arrangement” means—
 - (a) a cash balance arrangement,
 - (b) a defined benefits arrangement, or
 - (c) a hybrid arrangement the only benefits under which may be cash balance benefits or defined benefits.]

Textual Amendments

F178 S. 228B inserted (28.1.2015) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **11**

[^{F179}**228A** Annual allowance for, and carry-forward from, 2015-16

- (1) The provisions relating to the annual allowance charge (whether provisions contained in or made under this or any other Act) have effect subject to the following rules.

2015-16 split into two tax years for annual allowance purposes

- (2) For the purposes of those provisions but subject to subsection (3), the tax year 2015-16 is to be treated as consisting of two tax years as follows—
 - (a) one beginning with 6 April 2015 and ending with 8 July 2015 (“the pre-alignment tax year”), and
 - (b) one beginning with 9 July 2015 and ending with 5 April 2016 (“the post-alignment tax year”).
- (3) Despite subsection (2)—
 - (a) separate annual allowance charges for each of the pre-alignment and post-alignment tax years cannot arise, but a single annual allowance charge for the tax year 2015-16 arises if the individual has a chargeable amount for either or each of the pre-alignment and post-alignment tax years, and
 - (b) that single annual allowance charge is calculated as if—
 - (i) in section 227(4) the reference to the chargeable amount were a reference to the sum of the chargeable amounts for the pre-alignment and post-alignment tax years, and
 - (ii) in section 227(4A) to (4C) each reference to the tax year were to the tax year 2015-16.

Double allowances allocated to earlier part of 2015-16

- (4) For the pre-alignment tax year—

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- (a) the amount specified in section 228(1) (annual allowance for tax year) is treated as being £80,000, and
- (b) in each of sections 227ZA(1)(b) and 227B(1)(b) and (2), the reference to £10,000 is treated as a reference to £20,000.

Allowances for later part of 2015-16 limited to carried-forward allowances

- (5) Where the individual was a member of a registered pension scheme at some time in the pre-alignment tax year then, for the post-alignment tax year—
 - (a) the amount specified in section 228(1) is treated as being nil,
 - (b) section 227B(2) (amount of alternative annual allowance) has effect as if “AA” were substituted for “AA – £10,000”,
 - (c) if the chargeable amount in the individual's case for the pre-alignment tax year is the alternative chargeable amount, the reference to £10,000 in each of sections 227ZA(1)(b) and 227B(1)(b) is treated as being a reference to nil, and
 - (d) if the chargeable amount in the individual's case for the pre-alignment tax year is the default chargeable amount, the reference to £10,000 in each of sections 227ZA(1)(b) and 227B(1)(b) is treated as being a reference—
 - (i) to nil where the money-purchase input sub-total in the individual's case for the pre-alignment tax year is £20,000 or more, or
 - (ii) to the amount equal to £20,000 minus that sub-total where that sub-total is more than £10,000 but less than £20,000.

Limit on carry-forward of unused allowances from earlier part of 2015-16

- (6) Where the current tax year for the purposes of section 228A (carry-forward of annual allowance) is the post-alignment tax year—
 - (a) if—
 - (i) the chargeable amount in the individual's case for the pre-alignment tax year is the default chargeable amount, and
 - (ii) the excess mentioned in section 228A(5)(a) would otherwise be more than £40,000,
 that excess is treated as being £40,000, and
 - (b) if—
 - (i) the chargeable amount in the individual's case for the pre-alignment tax year is the alternative chargeable amount, and
 - (ii) the excess mentioned in section 228A(5)(a) would otherwise be more than £30,000,
 that excess is treated as being £30,000.

Further provisions about carry-forward of unused allowances

- (7) Where the current tax year for the purposes of section 228A is the post-alignment tax year or the tax year 2016-17, 2017-18 or 2018-19, section 228A applies in relation to that current tax year as if in section 228A(3)(b)—
 - (a) for “either or both of the two” there were substituted “ any one or more of the three ”, and
 - (b) for “(or, where there is an excess for both of those tax years, the excess for both tax years)” there were substituted “ (or, where there is an excess for two or all three of those tax years, the excess for both or all those tax years) ”.

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- (8) Where the current tax year for the purposes of section 228A is the tax year 2016-17, 2017-18 or 2018-19—
- (a) if—
- (i) the chargeable amount in the individual's case for the pre-alignment tax year is the default chargeable amount, and
- (ii) the excess within section 228A(3)(b) in the case of the pre-alignment tax year would otherwise be more than £40,000,
- that excess is treated as being £40,000 (and accordingly the amount aggregated under section 228A(5) in respect of that excess is so much of the £40,000 as has not been used up),
- (b) if—
- (i) the chargeable amount in the individual's case for the pre-alignment tax year is the alternative chargeable amount, and
- (ii) the excess within section 228A(3)(b) in the case of the pre-alignment year would otherwise be more than £30,000,
- that excess is treated as being £30,000 (and accordingly the amount aggregated under section 228A(5) in respect of that excess is so much of the £30,000 as has not been used up), and
- (c) in calculating for the purposes of section 228A(6) the amount of which of the excesses for different tax years had effect to reduce or eliminate the annual allowance charge for the post-alignment tax year, the amount of the excess for the pre-alignment tax year is to be taken to have done so before that for any other tax year and, subject to that, the amount of the excess for an earlier tax year is to be taken to have done so before that for a later year.

Supplementary provision

- (9) For the pre-alignment tax year, section 229(3) applies as if the reference to the end of the tax year were a reference to the end of the post-alignment tax year.]

Textual Amendments

F179 S. 228C inserted (18.11.2015) by Finance (No. 2) Act 2015 (c. 33), Sch. 4 para. 6

229 Total pension input amount

- (1) The total pension input amount is arrived at by aggregating the pension input amounts in respect of each arrangement relating to the individual under a registered pension scheme of which the individual is a member.
- (2) The pension input amount in respect of an arrangement—
- (a) is the amount arrived at under sections 230 to 232 if it is a cash balance arrangement,
- (b) is the amount arrived at under section 233 if it is any other sort of money purchase arrangement,
- (c) is the amount arrived at under sections 234 to [F180236A] if it is a defined benefits arrangement, and
- (d) is the amount arrived at under section 237 if it is a hybrid arrangement.

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- (3) But there is no pension input amount in respect of an arrangement if, before the end of the tax year, the individual—
- [^{F181}(a) satisfies the severe ill-health condition, or]
 - (b) has died.
- [^{F182}(4) For the purposes of subsection (3)(a) the individual satisfies the severe ill-health condition if the individual—
- (a) becomes entitled to all the benefits to which the individual is entitled under the arrangement in consequence of the scheme administrator having received evidence from a registered medical practitioner that the individual is suffering from ill-health which makes the individual unlikely to be able (otherwise than to an insignificant extent) to undertake gainful work (in any capacity) before reaching pensionable age,
 - (b) becomes entitled to a serious ill-health lump sum under the arrangement, or
 - (c) is a member of the armed forces of the Crown who becomes entitled under the arrangement to a benefit on which no liability to income tax arises by virtue of section 641(1) of ITEPA 2003.]
- [^{F183}(5) Subsection (2) is subject to section 237ZA (calculation of pension input amounts for input periods ending in 2015-16).]

Textual Amendments

- F180** Word in s. 229(2)(c) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 17 para. 6(2)**
- F181** S. 229(3)(a) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 17 para. 6(3)**
- F182** S. 229(4) inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 17 para. 6(4)**
- F183** S. 229(5) inserted (18.11.2015) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), **Sch. 4 para. 8**

Modifications etc. (not altering text)

- C59** S. 229(3) modified (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), **Sch. 35 para. 4(1)**
- C60** S. 229(4)(a)-(c) applied (1.10.2023) by [The Public Service \(Civil Servants and Others\) Pensions \(Remediable Service\) Regulations \(Northern Ireland\) 2023 \(S.R. 2023/141\)](#), regs. 1(b), **54(6)**
- C61** S. 229(4)(a)-(c) applied (1.10.2023) by [The Public Service \(Civil Servants and Others\) Pensions \(Remediable Service\) Regulations 2023 \(S.I. 2023/942\)](#), regs. 1(b), **54(6)**

Commencement Information

- I25** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

230 Cash balance arrangements

- (1) The pension input amount in respect of a cash balance arrangement is the amount of any increase in the value of the individual's rights under the arrangement during the pension input period of the arrangement that ends in the tax year.
- (2) There is an increase in the value of the individual's rights under the arrangement during the pension input period if—

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- (a) the opening value of the individual's rights under the arrangement, is exceeded by
 - (b) the closing value of the individual's rights under the arrangement.
- (3) The amount of the increase in the value of the individual's rights under the arrangement during the pension input period is the amount of that excess.
- [^{F184}(4) The opening value of the individual's rights under the arrangement—
 - (a) where the pension input period is the first pension input period of the arrangement, is the amount which would, on the valuation assumptions (see section 277), be available for the provision of benefits to or in respect of the individual under the arrangement if the individual became entitled to the benefits immediately before that pension input period (or is nil if no such amount would be available), or
 - (b) in any other case, is the amount which would, on the valuation assumptions, be available for the provision of benefits to or in respect of the individual under the arrangement if the individual became entitled to the benefits at the end of the immediately preceding pension input period.]
- (5) The closing value of the individual's rights under the arrangement is the amount which would, on the valuation assumptions, be available for the provision of benefits to or in respect of the individual under the arrangement if the individual became entitled to the benefits at the end of the pension input period.
- [^{F185}(5A) If, during the pension input period, minimum payments are made under—
 - (a) section 8 of the Pension Schemes Act 1993, or
 - (b) section 4 of the Pension Schemes (Northern Ireland) Act 1993,in relation to the individual in connection with the arrangement, their amount is to be subtracted from what would otherwise be the pension input amount in the case of the individual in respect of the arrangement.
- [^{F186}(5B) The pension input amount in respect of the cash balance arrangement is nil where subsection (5BA) or (5BB) applies and the value of the relevant rights of the individual under the arrangement does not increase during the pension input period by more than—
 - (a) the relevant percentage, plus
 - (b) the relevant statutory increase percentage.
- (5BA) This subsection applies where the individual—
 - (a) is, throughout the pension input period, a deferred member of the pension scheme that the arrangement is under,
 - (b) is such a deferred member for part of the pension input period and a pensioner member for the rest of it, or
 - (c) would meet the condition in paragraph (a) or (b) if the arrangement were the only arrangement under the pension scheme relating to that individual.
- (5BB) This subsection applies where—
 - (a) during the pension input period all the sums or assets held for the purposes of, or representing accrued rights under, the arrangement are transferred so as to become held for the purposes of, or to represent rights under—
 - (i) a registered pension scheme, or
 - (ii) a qualifying recognised overseas pension scheme,

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in connection with the individual,

- (b) the individual is a deferred member of the pension scheme that the arrangement is under from the beginning of the pension input period until the transfer (or would be if the arrangement were the only arrangement under the pension scheme relating to that individual), and
- (c) rights do not accrue under the arrangement to or in respect of the individual during so much of the pension input period as falls after the transfer.

(5BC) In determining for the purposes of this section whether or not a member of a pension scheme is a deferred member (see particularly the definition of “active member” in section 151(2)), arrangements made under the pension scheme for benefits to accrue, as a consequence of (and immediately after) a relevant inward transfer (as defined in section 232(6)) to or in respect of that member, are to be disregarded—

- (a) if condition B in section 232(6A) is met in relation to the accrual of benefits under the arrangements, or
- (b) so far as the accrual of benefits under the arrangements is to be an increase in the rights of the individual which falls to be subtracted by virtue of section 232(6A)(b).]

(5C) In this section—

“guaranteed minimum pension” has the meaning given by—

- (a) section 8(2) of the Pension Schemes Act 1993, or
- (b) section 4(2) of the Pension Schemes (Northern Ireland) Act 1993;

“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;

[^{F187}“the relevant percentage” means—

- (a) where throughout the pension input period the arrangement (or a predecessor arrangement) includes provision for the value of the relevant rights of the individual to increase at an annual rate which is an RPI-related rate specified in the rules of the pension scheme (or a predecessor registered pension scheme) on 6th April 2012, that rate,
- (b) where throughout the pension input period the arrangement (or a predecessor arrangement) includes provision for the value of the relevant rights of the individual to increase at an annual rate, other than an RPI-related rate, specified in the rules of the pension scheme (or a predecessor registered pension scheme) on 14th October 2010, that rate, and
- (c) in a case not falling within paragraph (a) or (b), the percentage by which the consumer prices index for a month falling within the pension input period and nominated by the scheme administrator is higher than it was for the same month in the previous period of 12 months (or nil per cent if it is not higher);]

“the relevant rights of the individual” means rights of the individual under the arrangement, other than any rights to a guaranteed minimum pension;

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[^{F188}“the relevant statutory increase percentage” in relation to a pension input period means the percentage increase in the value of the individual’s rights under the arrangement during the pension input period so far as it is attributable solely to one or more of the following—

- (a) an increase in accordance with section 15 of the Pension Schemes Act 1993 or section 11 of the Pension Schemes (Northern Ireland) Act 1993 (increase of guaranteed minimum where commencement of guaranteed minimum pension postponed);
- (b) a revaluation in accordance with section 16 of the Pension Schemes Act 1993 or section 12 of the Pension Schemes (Northern Ireland) Act 1993 (early leavers: revaluation of earning factors);
- (c) a revaluation in accordance with Chapter 2 of Part 4 of the Pension Schemes Act 1993 or the Pension Schemes (Northern Ireland) Act 1993 (early leavers: revaluation of accrued benefits);
- (d) a revaluation in accordance with Chapter 3 of Part 4 of the Pension Schemes Act 1993 or the Pension Schemes (Northern Ireland) Act 1993 (early leavers: protection of increases in guaranteed minimum pensions);
- (e) the application of section 67 of the Equality Act 2010 (sex equality rule for occupational pension schemes);

“RPI-related rate” (in the definition of “the relevant percentage”) means—

- (a) a rate produced solely by movement in the retail prices index, or
- (b) a rate which (however expressed) is the lower of such a rate and a percentage figure;]

“specified”, in relation to an annual rate, means specified as a percentage figure or as a percentage produced by movement in an index (or a combination of the two) but does not include a percentage produced by the exercise of a discretion by any person.]

- (6) Section 231 (uprating of opening value) and section 232 (adjustments of closing value) supplement this section.

Textual Amendments

- F184** S. 230(4) substituted (with effect in accordance with art. 2(a) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **12(a)**
- F185** S. 230(5A)-(5C) inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 17 para. 7(3)**
- F186** S. 230(5B)-(5BC) substituted for s. 230(5B) (with effect in accordance with arts. 2(a), 3(1) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **12(b)**
- F187** Words in s. 230(5C) substituted (with effect in accordance with art. 2(a) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **12(c)(i)**
- F188** Words in s. 230(5C) inserted (with effect in accordance with art. 2(a) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **12(c)(ii)**

Modifications etc. (not altering text)

- C62** S. 230 applied (with modifications) (6.4.2006) by [The Registered Pension Schemes \(Restriction of Employers Relief\) Regulations 2005 \(S.I. 2005/3458\)](#), regs. 1(1), **5** (with regs. 2-4)

Changes to legislation: Finance Act 2004, Chapter 5 is up to date with all changes known to be in force on or before 04 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

C63 Ss. 230-237 modified (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), [Sch. 35 para. 5\(2\)](#)

C64 S. 230(1) modified (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), [Sch. 35 para. 5\(1\)](#)

Commencement Information

I26 Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

231 Cash balance arrangements: uprating of opening value

- (1) This section applies for adjusting the opening value of the individual's rights as calculated under section 230(4).
- (2) The opening value is to be increased by the appropriate percentage.
- [^{F189}(3) The appropriate percentage is the percentage (if any) by which the consumer prices index for the September before the start of the tax year is higher than it was for the previous September.]

Textual Amendments

F189 S. 231(3) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 8](#)

Modifications etc. (not altering text)

C63 Ss. 230-237 modified (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), [Sch. 35 para. 5\(2\)](#)

C65 S. 231 modified (6.4.2006) by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\) Regulations 2006 \(S.I. 2006/207\)](#), regs. 1(1), [9](#) (as amended (with effect in accordance with reg. 1(7) of the amending S.I.) by [S.I. 2011/1751](#), regs. 1(1), [12\(3\)](#))

Commencement Information

I27 Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

232 Cash balance arrangements: adjustments of closing value

- (1) This section applies for adjusting the closing value of the individual's rights under the arrangement as calculated under section 230(5).
- (2) If, during the pension input period, the rights of the individual under the arrangement have been reduced by having become subject to a pension debit, the amount of [^{F190}the reduction] is to be added.
- (3) If, during the pension input period, the rights of the individual under the arrangement have been increased by the individual having become entitled to a pension credit deriving from the same or another registered pension scheme, the amount of [^{F191}the increase] is to be subtracted.
- (4) [^{F192}In subsection (4A) “relevant outward transfer” means][^{F193}a transfer relating to the individual of any sums or assets] held for the purposes of, or representing accrued rights under, the arrangement so as to become held for the purposes of, or to represent rights under, any ^{F194}... pension scheme that is—
 - (a) a registered pension scheme, or

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- (b) a qualifying recognised overseas pension scheme.

^{F195}
...

[^{F196}(4A) If there is a relevant outward transfer during the pension input period, then—

- (a) if condition A is met, the amount of the reduction specified in paragraph (b) of that condition is to be added;
- (b) if condition A is not met but the rights of the individual under the arrangement have been reduced by reason of the relevant outward transfer, the amount of that reduction is to be added.

Condition A is that—

- (a) the relevant outward transfer (“the transfer”) takes place within a block transfer,
- (b) the rights of the individual under the arrangement have been reduced, and the rights of the individual under the pension scheme mentioned in subsection (4) have been increased, as a consequence (whether direct or indirect) of the transfer, and
- (c) the amount of that reduction is equal (or virtually equal) to the amount of that increase.]

^{F197}(5)

- (6) [^{F198}In subsection (6A) “relevant inward transfer” means][^{F199}a transfer relating to the individual] of any sums or assets held for the purposes of, or representing accrued rights under, any pension scheme so as to become held for the purposes of, or to represent rights under, the arrangement^{F200} ...

[^{F201}(6A) If there is a relevant inward transfer during the pension input period, then—

- (a) if condition B is met, the amount of the increase specified in paragraph (b) of that condition is to be subtracted;
- (b) if condition B is not met but the rights of the individual under arrangement have been increased by reason of the relevant inward transfer, the amount of that increase is to be subtracted.

Condition B is that—

- (a) the relevant inward transfer (“the transfer”) takes place within a block transfer,
- (b) the rights of the individual under the arrangement have been increased, and the rights of the individual under the pension scheme mentioned in subsection (6) have been reduced, as a consequence (whether direct or indirect) of the transfer, and
- (c) the amount of that increase is equal (or virtually equal) to the amount of that reduction.

(6B) For the purposes of Condition A in subsection (4A) and Condition B in subsection (6A)

- (a) normal actuarial practice must be used when determining and comparing the amount of the reduction, and the amount of the increase, in rights,
- (b) the amount of a reduction or increase in rights under the arrangement is the difference between the amount of those rights under the arrangement immediately before the transfer and immediately after the transfer, and
- (c) the amount of an increase or reduction in rights under a pension scheme is the difference between the amount of those rights under the pension scheme immediately before the transfer and immediately after the transfer.

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(6C) In subsections (4A) and (6A)—

“block transfer” means a transfer which involves the transfer in a single transaction of all the sums or assets held for the purposes of, or representing accrued rights under, the arrangements under a pension scheme which relate to the individual and at least one other member of that pension scheme so as to become held for the purposes of, or to represent rights under, any pension scheme.]

[^{F202}(6D) For the purposes of subsections (4A) and (6A), the rights of the individual under the arrangement have been reduced or increased, as the case may be, “by reason of” a transfer of sums or assets only where that reduction or increase is solely attributable to the value of those sums or assets.]

^{F203}(7)

[^{F204}(8) If, during the pension input period, the rights of the individual under the arrangement have been reduced by any surrender made, or similar action taken, pursuant to an option available to the individual under the arrangement, the amount of the reduction is to be added.

(8A) If, during the pension input period—

- (a) benefit crystallisation event 1, 2 or 4 occurs in relation to the individual and the arrangement,
- (b) benefit crystallisation event 3 occurs in relation to the individual and the arrangement otherwise than by reason of a provision contained in, or made under, any enactment,
- (c) benefit crystallisation event 6 occurs or, but for paragraph 15A of Schedule 32, would occur in relation to the individual and the arrangement by virtue of the individual becoming entitled to a pension commencement lump sum or a lifetime allowance excess lump sum, or
- (d) there is an allocation of rights of the individual under the arrangement (not falling within paragraph (a)),

the relevant amount is to be added.

(8B) In subsection (8A) “the relevant amount” is—

^{F205}(a)

^{F205}(b)

- (c) in the case of benefit crystallisation event 6, the amount of the lump sum, and
- (d) in any other case, the amount of the reduction in the amount of the rights available for the provision of benefits to or in respect of the individual occurring by reason of the benefit crystallisation event or allocation.

(8C) If, during the pension input period, an adjustment to the individual's rights under the arrangement is made in consequence of the scheme administrator satisfying a liability under section 237B in respect of the individual, if and to the extent that the adjustment is reflected in the closing amount the amount of the adjustment is to be added to the closing amount.

(8D) But no amount is to be added under subsection (8C) by reason of an adjustment made in consequence of the scheme administrator satisfying a liability under section 237B [^{F206}in a case where—

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- (a) the individual becomes actually entitled to all of the individual's benefits under the pension scheme or benefit crystallisation event 5, 5A or 5B occurs in relation to the individual and the pension scheme, and
- (b) the adjustment takes place after the individual becomes so entitled or the benefit crystallisation event occurs.]]

^{F207}(9)

Textual Amendments

- F190** Words in s. 232(2) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 9\(2\)](#)
- F191** Words in s. 232(3) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 9\(3\)](#)
- F192** Words in s. 232(4) substituted (with effect in accordance with arts. 2(b), 3(3) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [13\(a\)\(i\)](#)
- F193** Words in s. 232(4) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 9\(4\)\(b\)](#)
- F194** Word in s. 232(4) omitted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 9\(4\)\(c\)](#)
- F195** Words in s. 232(4) omitted (with effect in accordance with arts. 2(b), 3(3) of the amending S.I.) by virtue of [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [13\(a\)\(ii\)](#)
- F196** S. 232(4A) inserted (with effect in accordance with arts. 2(b), 3(3) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [13\(b\)](#)
- F197** S. 232(5) omitted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 9\(5\)](#)
- F198** Words in s. 232(6) substituted (with effect in accordance with art. 2(b) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [13\(c\)\(i\)](#)
- F199** Words in s. 232(6) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 9\(6\)\(b\)](#)
- F200** Words in s. 232(6) omitted (with effect in accordance with art. 2(b) of the amending S.I.) by virtue of [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [13\(c\)\(ii\)](#)
- F201** S. 232(6A)-(6C) inserted (with effect in accordance with art. 2(b) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [13\(d\)](#)
- F202** S. 232(6D) inserted (with effect in accordance with art. 3(4) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [13\(e\)](#)
- F203** S. 232(7) omitted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 9\(7\)](#)
- F204** S. 232(8)-(8D) substituted for s. 232(8) (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 9\(8\)](#)
- F205** S. 232(8B)(a)(b) omitted (with effect in accordance with art. 4 of the amending S.I.) by virtue of [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [13\(f\)](#)
- F206** Words in s. 232(8D) substituted (with effect in accordance with art. 5 of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [13\(g\)](#)

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F207 S. 232(9) omitted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), **Sch. 17 para. 9(9)**

Modifications etc. (not altering text)

C63 Ss. 230-237 modified (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), **Sch. 35 para. 5(2)**

C66 S. 232 applied (with modifications) (6.4.2006) by [The Registered Pension Schemes \(Restriction of Employers Relief\) Regulations 2005 \(S.I. 2005/3458\)](#), regs. 1(1), **5** (with regs. 2-4)

Commencement Information

I28 Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

233 Other money purchase arrangements

(1) The pension input amount in respect of a money purchase arrangement other than a cash balance arrangement is the total of—

- (a) any relievable pension contributions paid by or on behalf of the individual under the arrangement, and
- (b) contributions paid in respect of the individual under the arrangement by an employer of the individual,

during the pension input period of the arrangement that ends in the tax year.

^{F208}(2)

(3) When at any time contributions paid under a pension scheme by an employer otherwise than in respect of any individual become held for the purposes of the provision under an arrangement under the pension scheme of benefits to or in respect of an individual, they are to be treated as being contributions paid at that time in respect of the individual under the arrangement.

[^{F209}(4) References to “contributions” in subsection (1) do not include any amount which is a refund of excess contributions lump sum (see paragraph 6 of Schedule 29).]

Textual Amendments

F208 S. 233(2) omitted (retrospective to 6.4.2013) by virtue of [Finance Act 2013 \(c. 29\)](#), **s. 52(7)(10)**

F209 S. 233(4) inserted (with effect in accordance with art. 6 of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **14**

Modifications etc. (not altering text)

C63 Ss. 230-237 modified (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), **Sch. 35 para. 5(2)**

C67 S. 233 applied (with modifications) (6.4.2006) by [The Registered Pension Schemes \(Restriction of Employers Relief\) Regulations 2005 \(S.I. 2005/3458\)](#), regs. 1(1), **6** (with regs. 2-4)

C68 S. 233(1) modified (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), **Sch. 35 para. 5(1)**

Commencement Information

I29 Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

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234 Defined benefits arrangements

- (1) The pension input amount in respect of a defined benefits arrangement is the amount of any increase in the value of the individual's rights under the arrangement during the pension input period of the arrangement that ends in the tax year.
- (2) There is an increase in the value of the individual's rights under the arrangement during the pension input period if—
 - (a) the opening value of the individual's rights under the arrangement, is exceeded by
 - (b) the closing value of the individual's rights under the arrangement.
- (3) The amount of the increase in the value of the individual's rights under the arrangement during the pension input period is the amount of that excess.

[^{F210}(4) The opening value of the individual's rights under the arrangement is—

$$(16 \times \text{PB}) + \text{LSB}$$

[^{F211}where—

PB is—

- (a) if the pension input period is the first pension input period of the arrangement, the annual rate of the pension which would, on the valuation assumptions (see section 277), be payable to the individual under the arrangement if the individual became entitled to payment of it immediately before that pension input period (or is nil if no such annual rate would be so payable), or
- (b) in any other case, the annual rate of the pension which would, on the valuation assumptions, be payable to the individual under the arrangement if the individual became entitled to payment of it at the end of the immediately preceding pension input period, and

LSB is—

- (a) if the pension input period is the first pension input period of the arrangement, the amount of the lump sum to which the individual would, on the valuation assumptions, be entitled under the arrangement (otherwise than by commutation of pension) if the individual became entitled to the payment of it immediately before that pension input period (or is nil if there is no such lump sum to which the individual would be so entitled), or
- (b) in any other case, the amount of the lump sum to which the individual would, on the valuation assumptions, be entitled under the arrangement (otherwise than by commutation of pension) if the individual became entitled to the payment of it at the end of the immediately preceding pension input period.]

[^{F212}(5) The closing value of the] individual's rights under the arrangement is—

$$(16 \times \text{PE}) + \text{LSE}$$

where—

PE is the annual rate of the pension which would, on the valuation assumptions, be payable to the individual under the arrangement if the individual became entitled to payment of it at the end of the pension input period, and

LSE is the amount of the lump sum to which the individual would, on the valuation assumptions, be entitled under the arrangement (otherwise than by commutation of pension) if the individual became entitled to the payment of it at that time.]

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[^{F213}(5A) If, during the pension input period, minimum payments are made under—

- (a) section 8 of the Pension Schemes Act 1993, or
- (b) section 4 of the Pension Schemes (Northern Ireland) Act 1993,

in relation to the individual in connection with the arrangement, their amount is to be subtracted from what would otherwise be the pension input amount in the case of the individual in respect of the arrangement.

[^{F214}(5B) The pension input amount in respect of the arrangement is nil where—

- (a) subsection (5BA) or (5BB) applies and the value of the relevant rights of the individual under the arrangement does not increase during the pension input period by more than—
 - (i) the relevant percentage, plus
 - (ii) the relevant statutory increase percentage, or
- (b) subsection (5BC) applies.

(5BA) This subsection applies where the individual—

- (a) is, throughout the pension input period, a deferred member of the pension scheme that the arrangement is under,
- (b) is such a deferred member for part of the pension input period and a pensioner member for the rest of it, or
- (c) would meet the condition in paragraph (a) or (b) if the arrangement were the only arrangement under the pension scheme relating to the individual.

(5BB) This subsection applies where—

- (a) during the pension input period there is a transfer of all the sums or assets held for the purposes of, or representing accrued rights under, the arrangement so as to become held for the purposes of, or to represent rights under—
 - (i) a registered pension scheme, or
 - (ii) a qualifying recognised overseas pension scheme,
 in connection with the individual,
- (b) the individual is a deferred member of the pension scheme that the arrangement is under from the beginning of the pension input period until the transfer (or would be if the arrangement were the only arrangement under the pension scheme relating to that individual), and
- (c) rights do not accrue under the arrangement to or in respect of the individual during so much of the pension input period as falls after the transfer.

(5BC) This subsection applies where—

- (a) the arrangement (“the annuity arrangement”) is a defined benefits arrangement under an annuity contract which is treated as a registered pension scheme under section 153(8),
- (b) throughout the pension input period the annuity arrangement (or a predecessor arrangement) includes provision for the relevant rights of the individual to increase at an annual rate (“the annuity rate”) which—
 - (i) was specified in the contract (or in the rules of a predecessor registered pension scheme) on 14 October 2010, or
 - (ii) is the CPI percentage or the RPI percentage, and
- (c) the value of the relevant rights of the individual does not increase during the pension input period at an annual rate greater than the annuity rate plus the relevant statutory increase percentage.

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(5BD) In determining for the purposes of this section whether or not a member of a pension scheme is a deferred member (see particularly the definition of “active member” in section 151(2)), arrangements made under the pension scheme for benefits to accrue, as a consequence of (and immediately after) a relevant inward transfer (as defined in section 236(5)) to or in respect of that member, are to be disregarded—

- (a) if condition B in section 236(5A) is met in relation to the accrual of benefits under the arrangements, or
- (b) so far as the accrual of benefits under the arrangements is to be a subtractable increase in the annual rate of the pension, or the amount of the lump sum, to which the individual would be entitled under the defined benefits arrangement.

(5BE) In subsection (5BD) “subtractable increase” means an increase which falls to be subtracted from PE or LSE by virtue of section 236(5A)(b).]

(5C) In this section—

“^[F215]CPI percentage” means the percentage mentioned in paragraph (c) of the definition of “the relevant percentage” (see below)]

“guaranteed minimum pension” has the meaning given by—

- (a) section 8(2) of the Pension Schemes Act 1993, or
- (b) section 4(2) of the Pension Schemes (Northern Ireland) Act 1993;

“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;

“^[F216]the relevant percentage” means—

- (a) where throughout the pension input period the arrangement (or a predecessor arrangement) includes provision for the value of the relevant rights of the individual to increase at an annual rate, which is an RPI-related rate, specified in the rules of the pension scheme (or a predecessor registered pension scheme) on 6 April 2012, that rate,
- (b) where throughout the pension input period the arrangement (or a predecessor arrangement) includes provision for the value of the relevant rights of the individual to increase at an annual rate, other than an RPI-related rate, specified in the rules of the pension scheme (or a predecessor registered pension scheme) on 14 October 2010, that rate, and
- (c) in a case not falling within paragraph (a) or (b), the percentage by which the consumer prices index for a month falling within the pension input period and nominated by the scheme administrator is higher than it was for the same month in the previous period of 12 months (or nil per cent if it is not higher);]

“the relevant rights of the individual” means rights of the individual under the arrangement, other than any rights to a guaranteed minimum pension;

^[F217]“the relevant statutory increase percentage” in relation to a pension input period means the percentage increase in the value of the individual’s

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rights under the arrangement during the pension input period so far as it is attributable solely to one or more of the following—

- (a) an increase in accordance with section 15 of the Pension Schemes Act 1993 or section 11 of the Pension Schemes (Northern Ireland) Act 1993 (increase of guaranteed minimum where commencement of guaranteed minimum pension postponed);
- (b) a revaluation in accordance with section 16 of the Pension Schemes Act 1993 or section 12 of the Pension Schemes (Northern Ireland) Act 1993 (early leavers: revaluation of earning factors);
- (c) a revaluation in accordance with Chapter 2 of Part 4 of the Pension Schemes Act 1993 or the Pension Schemes (Northern Ireland) Act 1993 (early leavers: revaluation of accrued benefits);
- (d) a revaluation in accordance with Chapter 3 of Part 4 of the Pension Schemes Act 1993 or the Pension Schemes (Northern Ireland) Act 1993 (early leavers: protection of increases in guaranteed minimum pensions);
- (e) the application of section 67 of the Equality Act 2010 (sex equality rule for occupational pension schemes);

“RPI percentage” means the percentage by which the retail prices index for a month falling within the pension input period and nominated by the scheme administrator is higher than it was for the same month in the previous period of 12 months (or nil per cent if it is not higher);

“RPI-related rate” (in the definition of “the relevant percentage”) means—

- (a) a rate produced solely by movement in the retail prices index, or
- (b) a rate which (however expressed) is the lower of such a rate and a percentage figure;]

“specified”, in relation to an annual rate, means specified as a percentage figure or as a percentage produced by movement in an index (or a combination of the two) but does not include a percentage produced by the exercise of a discretion by any person.

- (6) Section 235 (uprating of opening value)^{F218}, section 236 (adjustments of closing value) and section 236A (post-entitlement enhancements)] supplement this section.]

Textual Amendments

- F210** Word in s. 234(4) formula substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 10\(2\)\(a\)](#)
- F211** Words in s. 234(4) substituted (with effect in accordance with art. 2(c) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [15\(a\)](#)
- F212** Word in s. 234(5) formula substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 10\(3\)](#)
- F213** S. 234(5A)-(5C) inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 10\(4\)](#)
- F214** S. 234(5B)-(5BE) substituted for s. 234(5B) (with effect in accordance with arts. 2(c), 3(2) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [15\(b\)](#)
- F215** Words in s. 234(5C) inserted (with effect in accordance with art. 2(c) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [15\(c\)\(i\)](#)

Changes to legislation: Finance Act 2004, Chapter 5 is up to date with all changes known to be in force on or before 04 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

- F216** Words in s. 234(5C) substituted (with effect in accordance with art. 2(c) of the amending S.I.) by The Finance Act 2004 (Registered Pension Schemes and Annual Allowance Charge) (Amendment) Order 2015 (S.I. 2015/80), arts. 1, **15(c)(ii)**
- F217** Words in s. 234(5C) inserted (with effect in accordance with art. 2(c) of the amending S.I.) by The Finance Act 2004 (Registered Pension Schemes and Annual Allowance Charge) (Amendment) Order 2015 (S.I. 2015/80), arts. 1, **15(c)(iii)**
- F218** Words in s. 234(6) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by Finance Act 2011 (c. 11), **Sch. 17 para. 10(5)**

Modifications etc. (not altering text)

- C63** Ss. 230-237 modified (21.7.2009) by Finance Act 2009 (c. 10), **Sch. 35 para. 5(2)**
- C69** S. 234 applied (with modifications) (6.4.2006) by The Registered Pension Schemes (Restriction of Employers Relief) Regulations 2005 (S.I. 2005/3458), regs. 1(1), **7** (with regs. 2-4)
- C70** S. 234 modified (1.4.2015) by The Teachers' Pension Scheme (Consequential Provisions) Regulations 2015 (S.I. 2015/436), regs. 1(2), **15(2)(3)** (with reg. 15(1))
- C71** S. 234 applied (with modifications) (N.I.) (1.4.2015) by The Teachers' Pension Scheme (Consequential Provisions) Regulations (Northern Ireland) 2015 (S.R. 2015/170), regs. 1, **14(2)**
- C72** S. 234 modified (S.) (1.4.2015) by The National Health Service Pension Scheme (Consequential Provisions) (Scotland) Regulations 2015 (S.S.I. 2015/145), regs. 1(2), **15(2)(3)** (with reg. 15(1))
- C73** S. 234 modified (S.) (1.4.2015) by The Police Pensions (Consequential Provisions) (Scotland) Regulations 2015 (S.S.I. 2015/118), regs. 1(3), **15(2)(3)** (with reg. 15(1))
- C74** S. 234 modified (S.) (1.4.2015) by The Teachers' Pension Scheme (Consequential Provisions) (Scotland) Regulations 2015 (S.S.I. 2015/146), regs. 1(2), **15(2)(3)** (with reg. 15(1))
- C75** S. 234 modified (S.) (1.4.2015) by The Firefighters' Pension Scheme (Consequential Provisions) (Scotland) Regulations 2015 (S.S.I. 2015/117), regs. 1(3), **14(2)(3)** (with reg. 14(1))
- C76** S. 234 modified (1.4.2015) by The Police Pensions (Consequential Provisions) Regulations 2015 (S.I. 2015/370), regs. 1(2), **15(2)(3)**
- C77** S. 234 applied (with modifications) (1.4.2015) by The National Health Service Pension Scheme (Consequential Provisions) Regulations 2015 (S.I. 2015/432), regs. 1(2), **15(2)**
- C78** S. 234 modified (W.) (1.4.2015) by The Firefighters Pension Scheme (Wales) (Consequential Provisions) Regulations 2015 (S.I. 2015/848), regs. 1(2), **14(2)(3)** (with reg. 14(1))
- C79** S. 234 modified (1.4.2015) by The Firefighters' Pension Scheme (England) (Consequential Provisions) Regulations 2015 (S.I. 2015/319), regs. 1(2), **14(2)(3)**
- C80** S. 234 applied (with modifications) (N.I.) (1.4.2015) by The Public Service (Civil Servants and Others) Pensions (Consequential Provisions) Regulations (Northern Ireland) 2015 (S.R. 2015/81), regs. 1(1), **14(2)**
- C81** S. 234 applied (with modifications) (N.I.) (1.4.2015) by The Health Service Workers (Consequential Provisions) Regulations (Northern Ireland) 2015 (S.R. 2015/167), regs. 1, **14(2)**
- C82** S. 234 applied (with modifications) (N.I.) (1.4.2015) by The Police Pensions (Consequential Provisions) Regulations (Northern Ireland) 2015 (S.R. 2015/156), regs. 1(2), **14(2)**
- C83** S. 234 modified (1.4.2015) by The Public Service (Civil Servants and Others) Pensions (Consequential and Amendment) Regulations 2015 (S.I. 2015/372), regs. 1(2), **15(2)(3)**
- C84** S. 234 applied (with modifications) (N.I.) (1.4.2015) by The Firefighters' Pension Scheme (Consequential Provisions) Regulations (Northern Ireland) 2015 (S.R. 2015/166), regs. 1, **13(2)**
- C85** S. 234 modified (1.4.2015) by The Armed Forces Pension (Consequential Provisions) Regulations 2015 (S.I. 2015/390), regs. 1(2), **15(2)** (with reg. 15(1))
- C86** S. 234(1) modified (21.7.2009) by Finance Act 2009 (c. 10), **Sch. 35 para. 5(1)**
- C87** S. 234(4)(5) applied (with modifications) (19.7.2011) by Finance Act 2011 (c. 11), **Sch. 17 para. 28(6)**

Commencement Information

- I30** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

Changes to legislation: Finance Act 2004, Chapter 5 is up to date with all changes known to be in force on or before 04 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

235 Defined benefits arrangements: uprating of opening value

- (1) This section applies for adjusting the opening value of the individual's rights as calculated under section 234(4) ^{F219}....
- (2) The opening value is to be increased by the appropriate percentage.
- ^{F220}(3) The appropriate percentage is the percentage (if any) by which the consumer prices index for the September before the start of the tax year is higher than it was for the previous September.]

Textual Amendments

F219 Words in s. 235(1) omitted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 11\(2\)](#)

F220 S. 235(3) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 11\(3\)](#)

Modifications etc. (not altering text)

C63 Ss. 230-237 modified (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), [Sch. 35 para. 5\(2\)](#)

C88 S. 235 modified (6.4.2006) by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\) Regulations 2006 \(S.I. 2006/207\)](#), regs. 1(1), **10** (as amended (with effect in accordance with reg. 1(7) of the amending S.I.) by [S.I. 2011/1751](#), regs. 1(1), **12(4)**)

Commencement Information

I31 Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

236 Defined benefits arrangements: adjustments of closing value

- (1) This section applies for adjusting [^{F221}PE and LSE] under section 234(5).
- (2) If, during the pension input period, the [^{F222}annual rate of the pension, or the amount of the lump sum, to which the individual would be entitled under the arrangement has] been reduced by having become subject to a pension debit, the amount of [^{F223}the reduction] is to be added [^{F224}to PE or LSE].
- (3) If, during the pension input period, the [^{F225}annual rate of the pension, or the amount of the lump sum, to which the individual would be entitled under the arrangement has] been increased by the individual having become entitled to a pension credit deriving from the same or another registered pension scheme, the amount of [^{F226}the increase] is to be subtracted [^{F227}from PE or LSE].
- ^{F228}(4) [^{F229}In subsection (4A) “relevant outward transfer means] a transfer relating to the individual of any sums or assets held for the purposes of, or representing accrued rights under, the arrangement so as to become held for the purposes of, or to represent rights under, any pension scheme that is—
 - (a) a registered pension scheme, or
 - (b) a qualifying recognised overseas pension scheme,^{F230}...
- ^{F231}(4A) If there is a relevant outward transfer during the pension input period, then—

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- (a) if condition A is met, and there has been a reduction in the annual rate of the pension or a reduction in the amount of the lump sum to which the individual would be entitled under the arrangement, as a consequence (whether direct or indirect) of the relevant outward transfer, the amount of that reduction is to be added to PE or LSE, so far as that amount is reflected in the reduction in the value of benefits mentioned in paragraph (b) of condition A;
- (b) if condition A is not met but the annual rate of the pension, or the amount of the lump sum, to which the individual would be entitled under the arrangement has been reduced by reason of the relevant outward transfer, the amount of that reduction is to be added to PE or LSE.

Condition A is that—

- (a) the relevant outward transfer (“the transfer”) takes place within a block transfer,
 - (b) the value of the benefits to be paid to or in respect of the individual under the arrangement has been reduced and the value of the benefits to be paid to or in respect of the individual under the pension scheme mentioned in subsection (4) has been increased, as a consequence (whether direct or indirect) of the transfer,
 - (c) the amount of that reduction is equal (or virtually equal) to the amount of that increase, and
 - (d) the transfer is not part of an arrangement the main purpose (or one of the main purposes) of which is the avoidance of tax.]
- (5) [^{F232}In subsection (5A) “relevant inward transfer means] a transfer relating to the individual of any sums or assets held for the purposes of, or representing accrued rights under, any pension scheme so as to become held for the purposes of, or to represent rights under, the arrangement ^{F233}]

[^{F234}(5A) If there is a relevant inward transfer during the pension input period, then—

- (a) if condition B is met, and there has been an increase in the annual rate of the pension or an increase in the amount of the lump sum to which the individual would be entitled under the arrangement, as a consequence (whether direct or indirect) of the relevant inward transfer, the amount of that increase is to be subtracted from PE or LSE, so far as that amount is reflected in the increase in the value of benefits mentioned in paragraph (b) of condition B;
- (b) if condition B is not met but the annual rate of the pension, or the amount of the lump sum, to which the individual would be entitled under the arrangement has been increased by reason of the relevant inward transfer, the amount of that increase is to be subtracted from PE or LSE.

Condition B is that-

- (a) the relevant inward transfer (“the transfer”) took place within a block transfer,
- (b) the value of the benefits to be paid to or in respect of the individual under the arrangement has been increased, and the value of the benefits to be paid to or in respect of the individual under the pension scheme mentioned in subsection (5) has been reduced, as a consequence (whether direct or indirect) of the transfer,
- (c) the amount of that increase in value is equal (or virtually equal) to the amount of that reduction, and
- (d) the transfer is not part of an arrangement the main purpose (or one of the main purposes) of which is the avoidance of tax.

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(5B) For the purposes of Condition A in subsection (4A) and Condition B in subsection (5A)

- (a) normal actuarial practice must be used when determining and comparing the amount of a reduction, and the amount of an increase, in the value of benefits to be paid to or in respect of the individual,
- (b) the amount of a reduction or increase in the value of benefits to be paid to or in respect of the individual under the arrangement is the difference between the value of those benefits under that arrangement immediately before the transfer and immediately after the transfer, and
- (c) the amount of an increase or reduction in the value of benefits to be paid to or in respect of an individual under a pension scheme is the difference between the value of those benefits under that pension scheme immediately before and immediately after the transfer.

(5C) In subsections (4A) and (5A)—

“block transfer” means a transfer which involves the transfer in a single transaction of all the sums or assets held for the purposes of, or representing accrued rights under, the arrangements under a pension scheme which relate to the individual and at least one other member of that pension scheme so as to become held for the purposes of, or to represent rights under, any pension scheme.]

[^{F235}(5D) For the purposes of subsections (4A) and (5A), the annual rate of the pension, or the amount of the lump sum, to which the individual would be entitled under the arrangement has been reduced or increased, as the case may be, “by reason of” a transfer of sums or assets only where that reduction or increase is solely attributable to the value of those sums or assets.]

[^{F236}(8) If, during the pension input period, the annual rate of the pension, or the amount of the lump sum, to which the individual would be entitled under the arrangement has been reduced by any surrender made in return for any other entitlement, any allocation made, or any similar action taken, pursuant to an option available to the individual under the arrangement, the amount of the reduction (to the extent that it is not reflected in an amount added under subsection (8A)) is to be added to PE or LSE.

(8A) If, during the pension input period—

- (a) benefit crystallisation event 2 occurs in relation to the individual and the arrangement,
- (b) benefit crystallisation event 3 occurs in relation to the individual and the arrangement otherwise than by reason of a provision contained in, or made under, any enactment, or
- (c) benefit crystallisation event 6 occurs in relation to the individual and the arrangement by virtue of the individual becoming entitled to a pension commencement lump sum or a lifetime allowance excess lump sum,

the relevant amount is to be added to PE or LSE.

(8B) In subsection (8A) “the relevant amount” is—

- (a) in the case of benefit crystallisation event 2, the annual rate of the pension to which the individual became entitled,
- (b) in the case of benefit crystallisation event 3, the increase in the annual rate of the pension, and
- (c) in the case of benefit crystallisation event 6, the amount of the lump sum.

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- (8C) If, during the pension input period, an adjustment to the annual rate of the pension, or the amount of the lump sum, to which the individual would be entitled under the arrangement has been made in consequence of the scheme administrator satisfying a liability under section 237B in respect of the individual, if and to the extent that the adjustment is reflected in PE or LSE the amount of the adjustment is to be added to PE or LSE.
- (8D) But no amount is to be added under subsection (8C) by reason of an adjustment made in consequence of the scheme administrator satisfying a liability under section 237B ^{F237}in a case where—
- (a) the individual becomes actually entitled to all of the individual's benefits under the pension scheme or benefit crystallisation event 5, 5A or 5B occurs in relation to the individual and the pension scheme, and
 - (b) the adjustment takes place after the individual becomes so entitled or the benefit crystallisation event occurs.]]

^{F238}(9)

Textual Amendments

- F221** Words in s. 236(1) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 12\(2\)](#)
- F222** Words in s. 236(2) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 12\(3\)\(a\)](#)
- F223** Words in s. 236(2) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 12\(3\)\(b\)](#)
- F224** Words in s. 236(2) inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 12\(3\)\(c\)](#)
- F225** Words in s. 236(3) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 12\(4\)\(a\)](#)
- F226** Words in s. 236(3) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 12\(4\)\(b\)](#)
- F227** Words in s. 236(3) inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 12\(4\)\(c\)](#)
- F228** S. 236(4)(5) substituted for s. 236(4)-(7) (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 12\(5\)](#)
- F229** Words in s. 236(4) substituted (with effect in accordance with arts. 2(d), 3(5) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [16\(a\)\(i\)](#)
- F230** Words in s. 236(4) omitted (with effect in accordance with arts. 2(d), 3(5) of the amending S.I.) by virtue of [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [16\(a\)\(ii\)](#)
- F231** S. 236(4A) inserted (with effect in accordance with arts. 2(d), 3(5) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [16\(b\)](#)
- F232** Words in s. 236(5) substituted (with effect in accordance with art. 2(d) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [16\(c\)\(i\)](#)
- F233** Words in s. 236(5) omitted (with effect in accordance with art. 2(d) of the amending S.I.) by virtue of [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [16\(c\)\(ii\)](#)

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- F234** S. 236(5A)-(5C) inserted (with effect in accordance with art. 2(d) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **16(d)**
- F235** S. 236(5D) inserted (with effect in accordance with art. 3(6) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **16(e)**
- F236** S. 236(8)-(8D) substituted for s. 236(8) (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 17 para. 12(6)**
- F237** Words in s. 236(8D) substituted (with effect in accordance with art. 7 of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **16(f)**
- F238** S. 236(9) omitted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), **Sch. 17 para. 12(7)**

Modifications etc. (not altering text)

- C63** Ss. 230-237 modified (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), **Sch. 35 para. 5(2)**
- C89** S. 236 applied (with modifications) (6.4.2006) by [The Registered Pension Schemes \(Restriction of Employers Relief\) Regulations 2005 \(S.I. 2005/3458\)](#), regs. 1(1), **7** (with regs. 2-4)
- C90** S. 236 applied (with modifications) (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), **Sch. 35 para. 6(6)**
- C91** S. 236(5A) restricted (14.9.2023) by [The Public Service Pension Schemes \(Rectification of Unlawful Discrimination\) \(Tax\) \(No. 2\) Regulations 2023 \(S.I. 2023/912\)](#), regs. 1(2), **7(2)(b)** (with reg. 1(3))

Commencement Information

- I32** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

^{F239} **236A Post-entitlement enhancements**

- (1) This section applies in relation to the arrangement if, during the pension input period (“the affected pension input period”), the individual enters into a scheme for the making of an avoidance-inspired post-entitlement enhancement.
- (2) A “post-entitlement enhancement” is an increase in the annual rate of a scheme pension under the arrangement, at a time after the member has become entitled to the scheme pension.
- (3) A post-entitlement enhancement is “avoidance-inspired” if the main purpose, or one of the main purposes, of the individual in entering into the scheme was to avoid or reduce a liability to the annual allowance charge.
- (4) This Part has effect in relation to the arrangement and the individual, as respects the affected pension input period and all subsequent pension input periods, as if—
 - (a) section 234 were modified in accordance with subsection (5), and
 - (b) sections 235 and 236 were omitted.
- (5) The modifications of section 234 are that—
 - (a) in subsection (4), for the words after “the arrangement is” there are substituted “such amount as, applying normal actuarial practice, is the expected cost of giving effect to the individual's rights under the arrangement at the end of the immediately preceding pension input period (or is nil if the pension input period is the first pension input period of the arrangement).”,
 - (b) in subsection (5), for the words after “the arrangement is” there are substituted “such amount as, applying normal actuarial practice, is the expected cost of

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giving effect to the individual's rights under the arrangement at the end of the pension input period.”, and

(c) subsection (6) is omitted.

(6) In this section “scheme” includes any arrangements, agreement, understanding, transaction or series of transactions (whether or not legally enforceable).]

Textual Amendments

F239 S. 236A inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 13](#)

237 Hybrid arrangements

- (1) The pension input amount in respect of a hybrid arrangement is the greater or greatest of such of input amounts A, [^{F240}AA,] B and C as are relevant input amounts.
- (2) An input amount is a relevant input amount in the case of a hybrid arrangement if, in any circumstances, the benefits that may be provided to or in respect of the individual under the arrangement may be benefits of the variety mentioned in the definition of that input amount.
- (3) Input amount A is what would be the pension input amount under sections 230 to 232 if the benefits provided to or in respect of the individual under the arrangement were cash balance benefits.

[^{F241}(3A) Input amount AA is what would be the pension input amount under section 233 if the benefits provided to or in respect of the individual under the arrangement were collective money purchase benefits.]

- (4) Input amount B is what would be the pension input amount under section 233 if the benefits provided to or in respect of the individual under the arrangement were [^{F242}money purchase benefits that are not cash balance benefits or collective money purchase benefits].
- (5) Input amount C is what would be the pension input amount under sections 234 to [^{F243}236A] if the benefits provided to or in respect of the individual under the arrangement were defined benefits.

Textual Amendments

F240 Word in s. 237(1) inserted (1.8.2022) by [Finance Act 2021 \(c. 26\)](#), [Sch. 5 paras. 18\(2\)](#), 25(1); S.I. 2022/874, reg. 2

F241 S. 237(3A) inserted (1.8.2022) by [Finance Act 2021 \(c. 26\)](#), [Sch. 5 paras. 18\(3\)](#), 25(1); S.I. 2022/874, reg. 2

F242 Words in s. 237(4) substituted (1.8.2022) by [Finance Act 2021 \(c. 26\)](#), [Sch. 5 paras. 18\(4\)](#), 25(1); S.I. 2022/874, reg. 2

F243 Word in s. 237(5) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 14](#)

Modifications etc. (not altering text)

C63 Ss. 230-237 modified (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), [Sch. 35 para. 5\(2\)](#)

Changes to legislation: Finance Act 2004, Chapter 5 is up to date with all changes known to be in force on or before 04 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

C92 S. 237 applied (with modifications) (6.4.2006) by [The Registered Pension Schemes \(Restriction of Employers Relief\) Regulations 2005 \(S.I. 2005/3458\)](#), regs. 1(1), 8 (with regs. 2-4)

Commencement Information

I33 Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

[^{F244}237ZA] Pension input amounts for input periods ending in 2015-16

- (1) This section applies where the tax year is the pre-alignment tax year or the post-alignment tax year (see section 228C(2)).

Modified rules for cash balance, or defined benefits, arrangement

- (2) The rules for calculating the pension input amount in respect of a cash balance arrangement, or a defined benefits arrangement, are modified as follows (and the rules for calculating the pension input amount in respect of a hybrid arrangement have effect accordingly).

Single input amount to be calculated for combined period

- (3) The pension input amount in respect of the arrangement is the time-apportioned percentage of any increase in the value of the individual's rights under the arrangement during the period (“the combined period”) that consists of the combination of all pension input periods of the arrangement that end—
- (a) on or after 6 April 2015 but on or before 8 July 2015, or
 - (b) on 5 April 2016.
- (4) To calculate the increase (if any) in the value of the individual's rights under the arrangement during the combined period, apply (as the case may be) sections 230 to 232 (except section 230(1)), or sections 234 to 236A (except section 234(1)), as if—
- (a) references to the pension input period were references to the combined period,
 - (b) the combined period were a pension input period of the arrangement,
 - (c) 2.5% were the appropriate percentage specified in section 231(3) or 235(3), and
 - (d) 2.5% were the percentage mentioned in paragraph (c) of the definition of “relevant percentage” given by section 230(5C) or 234(5C),
- but paragraph (d) does not have effect for the purposes of the definition of “CPI percentage” given by section 234(5C).

Apportioning input amount for combined period to tax years

- (5) “The time-apportioned percentage” for the post-alignment tax year is—

$$272 D \times 100$$

and “the time-apportioned percentage” for the pre-alignment tax year is—

$$D - 272 D \times 100$$

where D is the number of days in the combined period.

Calculation and apportionment rules modified in certain cases

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(6) Subsections (3) to (5) have effect subject to the following provisions of this section.

Exceptions in certain cases where individual is deferred member of scheme

- (7) Subsections (3) to (5) do not apply, and subsections (8) and (9) apply instead, if—
- (a) because of section 238ZA(2), a pension input period for the arrangement ends with 8 July 2015,
 - (b) another pension input period for the arrangement ends with a day (“the unchanged last day”) after 5 April 2015 but before 8 July 2015, and
 - (c) section 230(5B) or 234(5B), when applied separately to each of—
 - (i) the pension input period for the arrangement ending with 8 July 2015, and
 - (ii) the pension input period for the arrangement ending with 5 April 2016,gives the result that the pension input amount in respect of the arrangement for each of those periods is nil.
- (8) The pension input amount in respect of the arrangement for the post-alignment tax year is nil.
- (9) The pension input amount in respect of the arrangement for the pre-alignment tax year is the amount which would be the pension input amount in respect of the arrangement for the pre-alignment tax year if—
- (a) the pension input period ending with the unchanged last day were the only pension input period for the arrangement ending in the pre-alignment tax year, and
 - (b) subsections (3) to (5) were ignored.

Modifications in some other cases where individual is deferred member of scheme

- (10) Subsections (11) to (13) apply if—
- (a) because of section 238ZA(2), a pension input period for the arrangement ends with 8 July 2015,
 - (b) apart from section 238ZA(2), that pension input period (“the cut-short period”) would have ended with a day (“the original last day”) after 8 July 2015 but before 5 April 2016,
 - (c) at or after the beginning of the cut-short period but not later than the original last day, or in an earlier pension input period for the arrangement, the individual becomes a deferred member of the pension scheme that the arrangement is under, and
 - (d) were the period—
 - (i) beginning with the day after the original last day, and
 - (ii) ending with 5 April 2016,a pension input period for the arrangement, the pension input amount in respect of the arrangement for that period would be nil by virtue of section 230(5B) or 234(5B).
- (11) Subsections (3) to (5) have effect as if the original last day, and not 5 April 2016, were the last day of the combined period (so that, in particular, D in subsection (5) is the number of days in the combined period as so shortened).

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- (12) If the individual becomes a deferred member of the pension scheme in a pension input period for the arrangement earlier than the cut-short period—
- (a) the time-apportioned percentage for the post-alignment tax year is treated as being nil, and
 - (b) the time-apportioned percentage for the pre-alignment tax year is treated as being 100.
- (13) If the individual becomes a deferred member of the pension scheme at or after the beginning of the cut-short period but not later than the original last day, subsection (5) has effect as if for “ 272 ”, in each place, there were substituted the number of days in the period beginning with 9 July 2015 and ending with the original last day.

Modification where first input period ends with 5 April 2016

- (14) If the first pension input period for the arrangement ends with 5 April 2016—
- (a) the time-apportioned percentage for the post-alignment tax year is treated as being 100, and
 - (b) the time-apportioned percentage for the pre-alignment tax year is treated as being nil.

Modification where last input period ends before 9 July 2015

- (15) If the last pension input period for the arrangement ends after 5 April 2015 but before 9 July 2015—
- (a) the time-apportioned percentage for the post-alignment tax year is treated as being nil, and
 - (b) the time-apportioned percentage for the pre-alignment tax year is treated as being 100.

Alternative modifications where individual is deferred member of scheme

- (16) Subsections (17) and (18) apply if—
- (a) subsections (8) and (9) do not apply,
 - (b) subsections (11) to (13) do not apply,
 - (c) subsection (14) does not apply, and
 - (d) section 230(5B) or 234(5B), when applied separately to each of—
 - (i) so much of the combined period as consists of the post-alignment tax year, and
 - (ii) the remainder of the combined period (for this purpose treating that remainder as a single pension input period if not otherwise the case),
 gives the result that the pension input amount in respect of the arrangement for one (but not the other) of those parts of the combined period is nil.
- (17) If the nil result is for so much of the combined period as consists of the post-alignment tax year—
- (a) the time-apportioned percentage for the post-alignment tax year is treated as being nil, and
 - (b) the time-apportioned percentage for the pre-alignment tax year is treated as being 100.
- (18) If the nil result is for so much of the combined period as precedes 9 July 2015—

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- (a) the time-apportioned percentage for the pre-alignment tax year is treated as being nil, and
- (b) the time-apportioned percentage for the post-alignment tax year is treated as being 100.]

Textual Amendments

F244 S. 237ZA inserted (18.11.2015) by Finance (No. 2) Act 2015 (c. 33), Sch. 4 para. 9

[^{F245}237A] Liability of individual

- (1) The individual is liable to the annual allowance charge.
- (2) The individual is liable to the annual allowance charge whether or not—
 - (a) the individual, and
 - (b) the scheme administrator of the pension scheme or pension schemes concerned,are resident^{F246} ... or domiciled in the United Kingdom.

Textual Amendments

F245 Ss. 237A-237F inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by Finance Act 2011 (c. 11), Sch. 17 para. 15

F246 Words in s. 237A(2) omitted (with effect in accordance with Sch. 46 para. 132 of the amending Act) by virtue of Finance Act 2013 (c. 29), Sch. 46 para. 128

237B Liability of scheme administrator

- (1) This section applies if—
 - (a) the amount of the individual's liability to the annual allowance charge for a tax year exceeds £2,000, and
 - (b) the pension scheme input amount in the case of the individual in relation to a registered pension scheme for the tax year exceeds the amount of the annual allowance specified in section 228(1) for the tax year.
 - (2) The pension scheme input amount in the case of the individual in relation to a pension scheme for a tax year is the aggregate of the pension input amounts for the tax year in respect of arrangements relating to the individual under the pension scheme.
- [If the chargeable amount for the tax year in the individual's case is the alternative
- ^{F247}(2A) chargeable amount, each of the following is treated as being a reference to the amount that the annual allowance charge for the tax year would be in the individual's case if the chargeable amount were the default chargeable amount—
- (a) the reference in subsection (1)(a) to the amount of the individual's liability to the annual allowance charge for the tax year, and
 - (b) the reference in subsection (3) to the annual allowance charge arising in the case of the individual.]
- (3) The individual may give a notice to the scheme administrator of the pension scheme specifying that the individual and the scheme administrator are to be jointly and

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severally liable in respect of so much of the annual allowance charge arising in the case of the individual as—

- (a) does not exceed the amount of the annual allowance charge which would be chargeable on the excess mentioned in subsection (1)(b) if it were charged at the relevant rate, and
- (b) is specified in the notice,
 (“the joint liability amount”).

(4) In subsection (3)(a) “the relevant rate” means—

- (a) in relation to so much of the excess as does not exceed the amount (if any) on which tax is chargeable in the case of the individual for the tax year at the additional rate ^{F248}... by virtue of paragraph (c) of subsection (4A) of section 227, the additional rate ^{F249}...
- (b) in relation to so much of the excess as is not within paragraph (a) and does not exceed the amount (if any) on which tax is so chargeable at the higher rate ^{F250}... by virtue of paragraph (b) of that subsection, the higher rate ^{F251}..., and
- (c) in relation to any remaining part of the excess, the basic rate ^{F252}...

[^{F253}But subsection (4A) applies in the case of a Scottish taxpayer][^{F254}and subsection (4B) applies in the case of a Welsh taxpayer].

[In the case of a Scottish taxpayer, the “relevant rate” in subsection (3)(a) means—

- ^{F255}(4A) (a) where the only Scottish rate is the Scottish basic rate, that rate;
- (b) where there is more than one Scottish rate—
- (i) the highest Scottish rate in relation to so much of the excess as does not exceed the amount (if any) on which tax is chargeable in the case of the individual at that rate by virtue of section 227(4AA)(b)(ii) or (iii),
 - (ii) the next highest Scottish rate in relation to so much of the excess as is not within sub-paragraph (i) and does not exceed the amount (if any) on which tax is so chargeable by virtue of section 227(4AA)(b) (i), (ii) or (iii),
 - (iii) if there is one, the next highest Scottish rate in relation to so much of the excess as is not within sub-paragraph (i) or (ii) and does not exceed the amount (if any) on which tax is so chargeable by virtue of section 227(4AA)(b)(i), (ii) or (iii),

and so on.]

[In the case of a Welsh taxpayer, the “relevant rate” in subsection (3)(a) means—

- ^{F256}(4B) (a) in relation to so much of the excess as does not exceed the amount (if any) on which tax is chargeable in the case of the individual for the tax year at the Welsh additional rate by virtue of paragraph (c) of subsection (4AB) of section 227, the Welsh additional rate,
- (b) in relation to so much of the excess as is not within paragraph (a) and does not exceed the amount (if any) on which tax is so chargeable at the Welsh higher rate by virtue of paragraph (b) of that subsection, the Welsh higher rate, and
- (c) in relation to the remaining part of the excess, the Welsh basic rate.]

(5) The notice—

- (a) must be given [^{F257}in accordance with the time limit in section 237BA] (but subject to subsection (6)),

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- (b) must be made in such manner and form, and contain such particulars, as may be prescribed by regulations made by the Commissioners for Her Majesty's Revenue and Customs, and
 - (c) may be amended by giving the scheme administrator notice in accordance with provision made by regulations made by the Commissioners for Her Majesty's Revenue and Customs but may not be revoked.
- (6) [^{F258}A notice may not be given after] the individual becomes actually entitled to all of the individual's benefits under the pension scheme ^{F259}... or benefit crystallisation event 5, 5A or 5B occurs ^{F259}... in relation to the individual and the pension scheme, ^{F260}....
- (7) On receipt by the scheme administrator of the notice the scheme administrator and the individual become jointly and severally liable to pay the joint liability amount, but subject to sections 237C and 237D and to any amendment made to the notice in accordance with regulations under subsection (5)(c).
- (8) The scheme administrator is liable under subsection (7) whether or not—
 - (a) the individual, and
 - (b) the scheme administrator,are resident^{F261}... or domiciled in the United Kingdom.
- (9) Where (but for this subsection) a notice could be given to a scheme administrator of a pension scheme but, before it is given, there is a transfer of all of the sums or assets—
 - (a) held for the purposes of, or
 - (b) representing accrued rights under,[^{F262}arrangements relating to the individual under the pension scheme] so as to become held for the purposes of, or to represent rights under, another registered pension scheme, the notice may not be given to that scheme administrator but may instead be given to the scheme administrator of that other pension scheme.
- (10) The Treasury may by regulations make provision modifying the operation of this section in other cases in which there is a transfer of any of the sums or assets—
 - (a) held for the purposes of, or
 - (b) representing accrued rights under,the pension scheme so as to become held for the purposes of, or to represent rights under, another registered pension scheme.
- (11) The Treasury may by order amend paragraph (a) of subsection (1) so as to increase the sum for the time being specified in that paragraph.

Textual Amendments

- F245** Ss. 237A-237F inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 15](#)
- F247** S. 237B(2A) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 68](#)
- F248** Words in s. 237B(4)(a) omitted (with effect in accordance with reg. 1(2) of the amending S.I.) by virtue of [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), regs. 1(1), [5\(2\)\(a\)\(i\)](#)
- F249** Words in s. 237B(4)(a) omitted (with effect in accordance with reg. 1(2) of the amending S.I.) by virtue of [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), regs. 1(1), [5\(2\)\(a\)\(ii\)](#)

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- F250** Words in s. 237B(4)(b) omitted (with effect in accordance with reg. 1(2) of the amending S.I.) by virtue of [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), regs. 1(1), **5(2)(b)(i)**
- F251** Words in s. 237B(4)(b) omitted (with effect in accordance with reg. 1(2) of the amending S.I.) by virtue of [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), regs. 1(1), **5(2)(b)(ii)**
- F252** Words in s. 237B(4)(c) omitted (with effect in accordance with reg. 1(2) of the amending S.I.) by virtue of [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), regs. 1(1), **5(2)(c)**
- F253** Words in s. 237B(4) inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), regs. 1(1), **5(3)**
- F254** Words in s. 237B(4) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Devolved Income Tax Rates \(Consequential Amendments\) Order 2019 \(S.I. 2019/201\)](#), arts. 1(1), **8(2)**
- F255** S. 237B(4A) inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Scotland Act 2016 \(Income Tax Consequential Amendments\) Regulations 2017 \(S.I. 2017/468\)](#), regs. 1(1), **5(4)**
- F256** S. 237B(4B) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Devolved Income Tax Rates \(Consequential Amendments\) Order 2019 \(S.I. 2019/201\)](#), arts. 1(1), **8(3)**
- F257** Words in s. 237B(5)(a) substituted (24.2.2022) by [Finance Act 2022 \(c. 3\)](#), s. **9(2)**
- F258** Words in s. 237B(6) substituted (with effect in accordance with art. 8 of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **17(a)(i)**
- F259** Words in s. 237B(6) omitted (with effect in accordance with art. 8 of the amending S.I.) by virtue of [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **17(a)(ii)**
- F260** Words in s. 237B(6) omitted (with effect in accordance with art. 8 of the amending S.I.) by virtue of [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **17(a)(iii)**
- F261** Words in s. 237B(8) omitted (with effect in accordance with Sch. 46 para. 132 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), **Sch. 46 para. 129**
- F262** Words in s. 237B(9) substituted (with effect in accordance with art. 9 of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **17(b)**

Modifications etc. (not altering text)

- C93** S. 237B(5)(a) applied (with modifications) (19.7.2011) by [Finance Act 2011 \(c. 11\)](#), **Sch. 17 para. 32**
- C94** S. 237B applied (with modifications) (6.4.2023) by [The Public Service Pension Schemes \(Rectification of Unlawful Discrimination\) \(Tax\) Regulations 2023 \(S.I. 2023/113\)](#), regs. 1(2), **9** (with reg. 1(3)) (as amended (14.9.2023) by [The Public Service Pension Schemes \(Rectification of Unlawful Discrimination\) \(Tax\) \(No. 2\) Regulations 2023 \(S.I. 2023/912\)](#), regs. 1(2), **24** (with reg. 1(3)))
- C95** S. 237B applied (with modifications) (6.4.2023) by [The Public Service Pension Schemes \(Rectification of Unlawful Discrimination\) \(Tax\) Regulations 2023 \(S.I. 2023/113\)](#), regs. 1(2), **8** (with reg. 1(3)) (as amended (14.9.2023) by [The Public Service Pension Schemes \(Rectification of Unlawful Discrimination\) \(Tax\) \(No. 2\) Regulations 2023 \(S.I. 2023/912\)](#), regs. 1(2), **23(a)(c)** (with reg. 1(3)))

Time limit for notices under section 237B

F263

- 237BA**
- (1) This section specifies the time limit for an individual to give a notice under section 237B(3) in relation to a pension scheme for a tax year (see section 237B(5)(a)).
- (2) Except where subsection (5) applies, the individual must give the notice not later than 31 July in the year following the year in which the tax year ends.

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- (3) Subsection (5) applies where—
- (a) at a relevant time, the scheme administrator gives the individual information about a change to the pension scheme input amount in relation to the pension scheme for the tax year,
 - (b) the scheme administrator is required to give the individual the information by regulations under section 251, and
 - (c) section 237B applies to the individual, in relation to the pension scheme and the tax year, as a result of that change.
- (4) In subsection (3), “relevant time” means a time falling—
- (a) on or after 2 May in the year following that in which the tax year in question ends, and
 - (b) before the end of the period of 6 years beginning with the end of the tax year in question.
- (5) Where this subsection applies, the individual must give the notice before whichever is the earlier of the following—
- (a) the end of the period of 3 months beginning with the day on which the scheme administrator gives the individual the information described in subsection (3)(a), and
 - (b) the end of the period of 6 years beginning with the end of the tax year in question.
- (6) In this section, “pension scheme input amount” has the meaning given in section 237B(2).]

Textual Amendments

F245 Ss. 237A-237F inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 15](#)

F263 [S. 237BA](#) inserted (24.2.2022) by [Finance Act 2022 \(c. 3\)](#), [s. 9\(3\)](#)

Modifications etc. (not altering text)

C96 [S. 237BA](#) applied (with modifications) (6.4.2023) by [The Public Service Pension Schemes \(Rectification of Unlawful Discrimination\) \(Tax\) Regulations 2023 \(S.I. 2023/113\)](#), regs. 1(2), [9](#) (with reg. 1(3))

C97 [S. 237BA](#) applied (with modifications) (6.4.2023) by [The Public Service Pension Schemes \(Rectification of Unlawful Discrimination\) \(Tax\) Regulations 2023 \(S.I. 2023/113\)](#), regs. 1(2), [8](#) (with reg. 1(3)) (as amended (14.9.2023) by [The Public Service Pension Schemes \(Rectification of Unlawful Discrimination\) \(Tax\) \(No. 2\) Regulations 2023 \(S.I. 2023/912\)](#), regs. 1(2), [23\(b\)](#) (with reg. 1(3)))

237C Exceptions

- (1) The scheme administrator of a pension scheme does not become liable under section 237B if the time when the scheme administrator would become liable is during an assessment period in relation to the pension scheme; and if an assessment period in relation to a pension scheme begins at a time when the scheme administrator is already so liable (but has not satisfied the liability), the liability ceases when the assessment period begins.

Changes to legislation: Finance Act 2004, Chapter 5 is up to date with all changes known to be in force on or before 04 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

References to an assessment period are to be construed in accordance with sections 132 and 159 of the Pensions Act 2004 and articles 116 and 143 of the Pensions (Northern Ireland) Order 2005 (S.I. 2005/255 (N.I. 1)).

- (2) The scheme administrator of a pension scheme is not liable under section 237B in respect of any amount if there is no power to make a consequential adjustment to the entitlement of the individual concerned to benefits under the pension scheme in respect of the amount because of section 237E(2) (inalienability of guaranteed minimum pension etc).
- (3) The Treasury may by regulations prescribe other circumstances in which a scheme administrator of a pension scheme does not become, or ceases to be, liable under section 237B.

Textual Amendments

F245 Ss. 237A-237F inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 15](#)

237D Discharge of scheme administrator's liability

- (1) If the scheme administrator of a pension scheme is liable under section 237B, the scheme administrator may apply to an officer of Revenue and Customs for the discharge of the scheme administrator's liability on either of the following grounds.
- (2) The grounds are—
 - (a) that paying the amount to which the scheme administrator is liable would be to the substantial detriment of the interests of the members of the pension scheme, and
 - (b) that in all the circumstances of the case it would not be just and reasonable for the scheme administrator to be liable to that amount.
- (3) On receiving an application under subsection (1), an officer of Revenue and Customs must decide whether to discharge the scheme administrator's liability.
- (4) An officer of Revenue and Customs must notify the scheme administrator of the decision on the application.
- (5) The discharge of the scheme administrator's liability does not affect the liability of any other person in respect of the same amount.
- (6) The Treasury may by regulations amend this section so as to alter the grounds on which an application under subsection (1) may be made.
- (7) Regulations made by the Commissioners for Her Majesty's Revenue and Customs may make provision supplementing this section; and the regulations may in particular make provision as to the time limits for the making of an application.

Textual Amendments

F245 Ss. 237A-237F inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 15](#)

Changes to legislation: Finance Act 2004, Chapter 5 is up to date with all changes known to be in force on or before 04 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

237E Consequential benefit adjustments to be reasonable etc

- (1) Where the scheme administrator of a pension scheme satisfies a liability under section 237B in respect of the individual, consequential adjustment must be made to the entitlement of the individual to benefits under the pension scheme on a basis that is just and reasonable having regard to normal actuarial practice.
- (2) Any power to make such consequential adjustment is subject to section 159 of the Pension Schemes Act 1993 or section 155 of the Pension Schemes (Northern Ireland) Act 1993 (inalienability of guaranteed minimum pension etc).

Textual Amendments

F245 Ss. 237A-237F inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 15](#)

237F Power to modify rules

The Commissioners for Her Majesty's Revenue and Customs may by regulations make any modification of the rules of registered pension schemes that appear appropriate to facilitate the operation of sections 237A to 237E.]

Textual Amendments

F245 Ss. 237A-237F inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 15](#)

238 Pension input period [^{F264}: arrangement commencing before 9 July 2015]

- (1) In the case of an arrangement under a registered pension scheme [^{F265}where the relevant commencement date is before 9 July 2015, but subject to section 238ZA,] the following are pension input periods—
 - (a) the period beginning with the relevant commencement date and ending with [^{F266}—
 - (i) a nominated date falling before the anniversary of the relevant commencement date, or
 - (ii) if there is not such a nominated date, the first 5 April after the relevant commencement date (or, if the relevant commencement date is itself 5 April, that date), and]
 - (b) each subsequent period beginning immediately after the end of a period which is a pension input period (under paragraph (a) or this paragraph) and ending with the appropriate date.
- (2) “The relevant commencement date” means—
 - (a) in the case of a cash balance arrangement or a defined benefits arrangement, or a hybrid arrangement the only benefits under which may be cash balance benefits or defined benefits, the date on which rights under the arrangement begin to accrue to or in respect of the individual,
 - (b) in the case of a money purchase arrangement other than a cash balance arrangement, the first date on which a contribution within section 233(1) is made, and

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- (c) in the case of a hybrid arrangement not within paragraph (a), whichever is the earlier of the date mentioned in that paragraph and the date mentioned in paragraph (b).
- (3) “Nominated date” means—
 - (a) in the case of a money purchase arrangement other than a cash balance arrangement, such date as the individual or scheme administrator nominates, and
 - (b) in the case of any other arrangement, such date as the scheme administrator nominates.
- (4) A nomination for the purposes of subsection (3)—
 - (a) if by the individual, is to be made by notice to the scheme administrator, and
 - (b) if by the scheme administrator, is to be made by notice to the individual.
- [^{F267}(4A) A date nominated for the purposes of subsection (3) must not be a date before that on which the nomination is made.]
- (5) If more than one date is nominated for the purposes of subsection (3)—
 - (a) in relation to the period beginning with the relevant commencement date, or
 - (b) in relation to a tax year following that in which the pension input period beginning with that date ends,
 the date nominated first is the nominated date.
- (6) “The appropriate date” means ^{F268}...—
 - (a) a nominated date falling in the tax year immediately after that in which the last pension input period ended, [^{F269}or]
 - (b) [^{F270}if there is not such a nominated date,] the anniversary of the date on which that period ended.
- (7) Once the individual has become entitled to all the benefits which may be provided to the individual under an arrangement, the last pension input period in the case of the arrangement is [^{F271}that in which] that was first so.

Textual Amendments

- F264** Words in s. 238 title inserted (18.11.2015) by Finance (No. 2) Act 2015 (c. 33), **Sch. 4 para. 2(a)**
- F265** Words in s. 238(1) inserted (18.11.2015) by Finance (No. 2) Act 2015 (c. 33), **Sch. 4 para. 2(b)**
- F266** S. 238(1)(a)(i)(ii) substituted for words (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by Finance Act 2011 (c. 11), **Sch. 17 para. 16(2)**
- F267** S. 238(4A) inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by Finance Act 2011 (c. 11), **Sch. 17 para. 16(3)**
- F268** Words in s. 238(6) omitted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by virtue of Finance Act 2011 (c. 11), **Sch. 17 para. 16(4)(a)**
- F269** Word in s. 238(6) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by Finance Act 2011 (c. 11), **Sch. 17 para. 16(4)(b)**
- F270** Words in s. 238(6)(b) inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by Finance Act 2011 (c. 11), **Sch. 17 para. 16(4)(c)**
- F271** Words in s. 238(7) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by Finance Act 2011 (c. 11), **Sch. 17 para. 16(5)**

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Modifications etc. (not altering text)

- C98** S. 238(3) modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), **Sch. 3 Pt. 1**
- C99** S. 238(4) modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), **Sch. 3 Pt. 1**

Commencement Information

- I34** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

^{F272}**238ZA Pension input periods from 9 July 2015 for existing arrangement**

- (1) If the relevant commencement date in the case of an arrangement under a registered pension scheme is before 9 July 2015, section 238(1) and (3) to (6) apply in relation to the arrangement subject to the following.
- (2) If a pension input period for the arrangement—
 - (a) begins with 8 July 2015 or an earlier day, and
 - (b) but for this subsection would end with 9 July 2015 or a later day,it ends with 8 July 2015.
- (3) If a pension input period for the arrangement ends with 8 July 2015 (whether or not because of subsection (2)), the subsequent pension input periods for the arrangement are—
 - (a) the period beginning with 9 July 2015 and ending with 5 April 2016, and
 - (b) the tax year 2016-17 and each subsequent tax year.
- (4) No nominations for the purposes of section 238(3) may be made on or after 9 July 2015.
- (5) “The relevant commencement date” has the meaning given by section 238(2).

Textual Amendments

- F272** Ss. 238ZA, 238ZB inserted (18.11.2015) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), **Sch. 4 para. 3**

238ZB Pension input periods for arrangement commencing after 8 July 2015

- (1) In the case of an arrangement under a registered pension scheme where the relevant commencement date is 9 July 2015 or later, the following are pension input periods—
 - (a) the period beginning with the relevant commencement date and ending with the first 5 April after the relevant commencement date (or, if the relevant commencement date is itself 5 April, that date), and
 - (b) each tax year beginning after the end of that period.
- (2) “The relevant commencement date” has the meaning given by section 238(2).
- (3) Once the individual has become entitled to all the benefits which may be provided to the individual under the arrangement, the last pension input period in the case of the arrangement is that in which that was first so.]

Changes to legislation: Finance Act 2004, Chapter 5 is up to date with all changes known to be in force on or before 04 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

Textual Amendments

F272 Ss. 238ZA, 238ZB inserted (18.11.2015) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [Sch. 4 para. 3](#)

[^{F273}238A] Power to make orders about charge

- (1) The Treasury may by order make provision about the annual allowance charge.
- (2) The provision may include modifications of any of sections 227 to 238.
- (3) The provision may include provision consequential on, or supplementary or incidental to, the provision made by those sections and transitional provisions (including provision making modifications of enactments).
- (4) “Modifications” includes amendments.]

Textual Amendments

F273 S. 238A inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 17](#)

Scheme sanction charge

239 Scheme sanction charge

- (1) A charge to income tax, to be known as the scheme sanction charge, arises where in any tax year one or more scheme chargeable payments are made by a registered pension scheme.
- (2) The person liable to the scheme sanction charge is the scheme administrator.
- (3) But^{F274}—
 - (a) in the case of a payment treated by virtue of section 161(3) and (4) (payments under investments acquired with scheme assets) as having been made by a pension scheme which has been wound up, the person liable to the scheme sanction charge is the person who was, or each of the persons who were, the scheme administrator immediately before the pension scheme was wound up^{F275}, 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.]

^{F276}(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.]

- (4) A person liable to the scheme sanction charge is liable whether or not—

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- (a) that person, and
 - (b) any other person who is liable to the scheme sanction charge,
- are resident^{F277} ... or domiciled in the United Kingdom.

- (5) The following sections make further provision about the scheme sanction charge—
section 240 (amount of charge), and
section 241 (scheme chargeable payment).

- [^{F278}(6) This section is subject to provision made by regulations under section 273ZA (income and gains from taxable property).]

Textual Amendments

- F274** Words in s. 239(3) inserted (19.3.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 5 paras. 12\(1\)\(a\)](#), 15
- F275** S. 239(3)(b) and preceding word inserted (19.3.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 5 paras. 12\(1\)\(b\)](#), 15
- F276** S. 239(3A) inserted (19.3.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 5 paras. 12\(2\)](#), 15
- F277** Words in s. 239(4) omitted (with effect in accordance with Sch. 46 para. 132 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 46 para. 130](#)
- F278** S. 239(6) inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 158(2), [Sch. 21 para. 8](#)

Modifications etc. (not altering text)

- C100** S. 239 modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), [Sch. 3 Pt. 1](#)
- C101** S. 239 modified by [The Taxation of Pension Schemes \(Transitional Provisions\) Order 2006 \(S.I. 2006/572\)](#), [art. 18](#) (as amended (19.3.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 5 paras. 12\(4\)\(5\)](#), 15)

Commencement Information

- I35** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

240 Amount of charge

- (1) The scheme sanction charge for any tax year is a charge at the rate of 40% in respect of the scheme chargeable payment, or the aggregate of the scheme chargeable payments, made by the pension scheme in the tax year.
- (2) But if—
- (a) the scheme chargeable payment is an unauthorised payment, or any of the scheme chargeable payments are unauthorised payments, and
 - (b) tax charged in relation to that payment, or any of those payments, under section 208 (unauthorised payments charge) has been paid,
- a deduction is to be made from the amount of tax that would otherwise be chargeable for the tax year by virtue of subsection (1).
- (3) The amount of the deduction is the lesser of—
- (a) 25% of the amount of the scheme chargeable payment, or of the aggregate amount of such of the scheme chargeable payments as are tax-paid, and
 - (b) the amount of the tax which has been paid under section 208 in relation to the scheme chargeable payment, or in relation to such of the scheme chargeable payments as are tax-paid.

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[^{F279}(3A) The Treasury—

- (a) may by order amend subsection (1) so as to vary the rate of the scheme sanction charge, and
- (b) may by order amend subsection (3)(a) so as to vary the percentage mentioned there.

(3B) An order under subsection (3A) may make provision for there to be different rates or percentages in different circumstances.]

(4) A scheme chargeable payment is “tax-paid” if the whole or any part of the tax chargeable in relation to it under section 208 has been paid.

Textual Amendments

F279 S. 240(3A)(3B) inserted (with effect in accordance with Sch. 2 para. 25 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 2 para. 16](#)

Commencement Information

I36 Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

241 Scheme chargeable payment

(1) In this Part “scheme chargeable payment”, in relation to a registered pension scheme, means—

- (a) an unauthorised payment by the pension scheme, other than one which is exempt from being scheme chargeable, and
- ^{F280}(aa)
- (b) a scheme chargeable payment which the pension scheme is to be treated as having made by section 183 or 185 (unauthorised borrowing)[^{F281}, and
- (c) a scheme chargeable payment which the pension scheme is to be treated as having made by section 185A (income from taxable property) or 185F (gains from taxable property)].

(2) An unauthorised payment is exempt from being scheme chargeable if—

- (a) it is treated as having been made by section 173 (use of scheme assets to provide benefits) and the asset used to provide the benefit in question is not a wasting asset,
- (b) it is a compensation payment (see section 178),
- (c) it is made to comply with an order of a court or of a person or body with power to order the making of the payment,
- (d) it is made on the ground that a court or any such person or body is likely to order the making of the payment (or would be were it asked to do so), or
- (e) it is of a description prescribed by regulations made by the Board of Inland Revenue.

(3) “Wasting asset” has the same meaning as in section 44 of TCGA 1992.

(4) Schedule 36 contains (in Part 3) transitional provision about scheme chargeable payments.

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Textual Amendments

F280 S. 241(1)(aa) omitted (with effect in accordance with Sch. 16 para. 85 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 16 para. 74](#)

F281 S. 241(1)(c) and word inserted (retrospective to 6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 158(2), [Sch. 21 para. 9](#)

Commencement Information

I37 Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

De-registration charge

242 De-registration charge

- (1) A charge to income tax, to be known as the de-registration charge, arises where the registration of a registered pension scheme is withdrawn.
- (2) The liability to the de-registration charge is a liability of the person who was, or each of the persons who were, the scheme administrator immediately before the registration was withdrawn.
- (3) That person, or each of those persons, is liable to the de-registration charge whether or not—
 - (a) that person, and
 - (b) any other person who is liable to the de-registration charge, are resident^{F282}... or domiciled in the United Kingdom.
- (4) The de-registration charge is a charge at the rate of 40% in respect of the aggregate of—
 - (a) the amount of any sums held for the purposes of the pension scheme immediately before it ceased to be a registered pension scheme, and
 - (b) the market value at that time of any assets held for the purposes of the pension scheme.
- [^{F283}(5) The Treasury may by order amend subsection (4) so as to vary the rate of the de-registration charge.
- (6) An order under subsection (5) may make provision for there to be different rates in different circumstances.]

Textual Amendments

F282 Words in s. 242(3) omitted (with effect in accordance with Sch. 46 para. 132 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 46 para. 131](#)

F283 S. 242(5)(6) inserted (with effect in accordance with Sch. 2 para. 25 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 2 para. 17](#)

Modifications etc. (not altering text)

C102 S. 242 excluded (6.4.2006) by [The Pension Protection Fund \(Tax\) Regulations 2006 \(S.I. 2006/575\)](#), regs. 1, [24](#)

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Commencement Information

I38 Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

Changes to legislation:

Finance Act 2004, Chapter 5 is up to date with all changes known to be in force on or before 04 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations.

[View outstanding changes](#)

Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 236ZA inserted by [S.I. 2024/357 art. 2\(2\)](#)