
Changes to legislation: Finance Act 2014, Paragraph 5 is up to date with all changes known to be in force on or before 27 June 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

SCHEDULES

SCHEDULE 5

PENSION FLEXIBILITY: FURTHER AMENDMENTS

Expected pension commencement lump sums treated as trivial commutation lump sums

- 5 (1) In section 166(1) of FA 2004, in the lump sum rule, omit the “or” after paragraph (f), and after paragraph (g) insert “, or
(h) a transitional 2013/14 lump sum.”
- (2) In Schedule 29 to FA 2004, after paragraph 11 insert—

“Transitional 2013/14 lump sum, and its related trivial commutation lump sum

- 11A (1) A lump sum is a transitional 2013/14 lump sum for the purposes of this Part if—
- (a) the sum (“the earlier sum”) is paid to the member in connection with a pension under a registered pension scheme to which it is expected that the member will become entitled (“the expected pension”),
 - (b) the earlier sum is paid before the member becomes entitled to the expected pension,
 - (c) either—
 - (i) the earlier sum is paid on or after 19 September 2013 but before 27 March 2014, or
 - (ii) the earlier sum is paid before 19 September 2013, a contract for a lifetime annuity is entered into to provide the expected pension, and on or after 19 March 2014 the contract is cancelled,
 - (d) all of the sums and assets for the time being representing the sums and assets that when the earlier sum was paid were held for the purpose of providing the expected pension are, before the member becomes entitled to the expected pension, used in paying a further lump sum to the member (“the further sum”),
 - (e) the further sum is paid on or after 6 July 2014 but before 6 April 2015, and
 - (f) the further sum is a trivial commutation lump sum (see sub-paragraph (2)).
- (2) Sub-paragraph (4) applies when deciding under paragraph 7 whether the further sum is a trivial commutation lump sum in a case where the earlier sum is paid before the nominated date (see paragraph 7(3) for the meaning of “the nominated date”).

Changes to legislation: Finance Act 2014, Paragraph 5 is up to date with all changes known to be in force on or before 27 June 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

- (3) If the earlier sum is a transitional 2013/14 lump sum, and the earlier sum and the further sum are not the only lump sums paid under registered pension schemes to the member, sub-paragraph (4) applies when deciding under paragraph 7 whether any other lump sum paid under a registered pension scheme to the member is a trivial commutation lump sum.
- (4) If this sub-paragraph applies, the payment of the earlier sum is to be treated for the purposes of paragraph 8(1)(b) as a benefit crystallisation event—
- (a) which occurs when the earlier sum is paid, and
 - (b) on which the amount crystallised is the amount of the earlier sum.
- (5) If the earlier sum is a transitional 2013/14 lump sum, and only the sums and assets mentioned in sub-paragraph (1)(d) are used in paying the further sum, section 636B of ITEPA 2003 applies in relation to the further sum with the omission of its subsection (3).
- (6) If the earlier sum is a transitional 2013/14 lump sum, and the sums and assets mentioned in sub-paragraph (1)(d) are used together with other sums and assets in paying the further sum—
- (a) section 636B of ITEPA 2003 applies in relation to the further sum as if instead of the further sum there were two separate trivial commutation lump sums as follows—
 - (i) one (“the first part of the further sum”) consisting of so much of the further sum as is attributable to the sums and assets mentioned in sub-paragraph (1)(d), and
 - (ii) another consisting of the remainder of the further sum,
 - (b) the first part of the further sum is to be treated for the purposes of section 636B of ITEPA 2003 as having been paid immediately before the remainder of the further sum,
 - (c) section 636B of ITEPA 2003 applies in relation to the first part of the further sum with the omission of its subsection (3), and
 - (d) for the purposes of applying section 636B(3) of ITEPA 2003 in relation to the remainder of the further sum, the rights to which the first part of the further sum relates are to be treated as rights that are not uncrystallised rights immediately before the remainder of the further sum is paid.
- (7) For the purposes of sub-paragraph (1), if the circumstances are as described in sub-paragraph (1)(c)(ii), the member is treated as not having become entitled to the expected pension as a result of the cancelled contract having been entered into.”
- (3) In section 636A of ITEPA 2003 (income tax exemption for certain lump sums)—
- (a) in subsection (1) after paragraph (c) insert—

“(ca) a transitional 2013/14 lump sum,”, and
 - (b) in subsection (6) (definitions) omit the “and”, and after “ “short service refund lump sum”,” insert “and
- "transitional 2013/14 lump sum",”.

Changes to legislation: Finance Act 2014, Paragraph 5 is up to date with all changes known to be in force on or before 27 June 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) In section 280(2) of FA 2004 (index of expressions) at the appropriate place insert—

“transitional 2013/14 lump sum

paragraph 11A of Schedule 29”

Changes to legislation:

Finance Act 2014, Paragraph 5 is up to date with all changes known to be in force on or before 27 June 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):

- Sch. 31 para. 2(3)(b) inserted by [2017 c. 32 Sch. 14 para. 45\(2\)\(a\)\(iii\)](#)
- Sch. 31 para. 2(4A) inserted by [2017 c. 32 Sch. 14 para. 45\(2\)\(c\)](#)
- Sch. 31 para. 3(1A) inserted by [2017 c. 32 Sch. 14 para. 45\(3\)\(b\)](#)
- Sch. 31 para. 5(b) inserted by [2017 c. 32 Sch. 14 para. 45\(4\)\(c\)](#)
- Sch. 31 para. 2(3)(a) words inserted by [2017 c. 32 Sch. 14 para. 45\(2\)\(a\)\(ii\)](#)
- Sch. 31 para. 5(a) words inserted by [2017 c. 32 Sch. 14 para. 45\(4\)\(b\)](#)
- Sch. 31 para. 2(3)(a) words renumbered as Sch. 31 para. 2(3)(a) by [2017 c. 32 Sch. 14 para. 45\(2\)\(a\)\(i\)](#)
- Sch. 31 para. 5(a) words renumbered as Sch. 31 para. 5(a) by [2017 c. 32 Sch. 14 para. 45\(4\)\(a\)](#)
- Sch. 32 para. 1(2)(b) inserted by [2017 c. 32 Sch. 14 para. 46\(2\)\(a\)\(iii\)](#)
- Sch. 32 para. 1(3A) inserted by [2017 c. 32 Sch. 14 para. 46\(2\)\(c\)](#)
- Sch. 32 para. 1(2)(a) words inserted by [2017 c. 32 Sch. 14 para. 46\(2\)\(a\)\(ii\)](#)
- Sch. 32 para. 1(2)(a) words renumbered as Sch. 32 para. 1(2)(a) by [2017 c. 32 Sch. 14 para. 46\(2\)\(a\)\(i\)](#)