These notes refer to the Taxation of Pensions Act 2014 (c.30) which received Royal Assent on 17 December 2014

TAXATION OF PENSIONS ACT 2014

EXPLANATORY NOTES

SUMMARY

41. The Act makes a number of amendments to the existing legislation relating to the authorised pension benefits that can be provided to members of registered pension schemes and their beneficiaries. The changes give individuals with savings in money purchase arrangements much greater flexibility as to how they can take their benefits from age 55. From 6 April 2015 these individuals will be able to access as much as they want, when they want, from a money purchase arrangement. However, where individuals take advantage of the new flexibilities, any future savings in money purchase arrangements will be subject to a £10,000 money purchase annual allowance.

42. The changes made by this Act:

- allow all of the funds in a money purchase arrangement to be taken as an authorised taxed lump sum, removing the higher unauthorised payment tax charges;
- increase the flexibility of the income drawdown rules by removing the maximum ‘cap’ on withdrawal and minimum income requirements for all new drawdown funds from 6 April 2015;
- enable those with ‘capped’ drawdown to convert to a new drawdown fund once arranged with their scheme should they wish;
- enable pension schemes to make payments directly from pension savings with 25 per cent taken tax-free (instead of a tax-free lump sum);
- introduce a limited right for scheme trustees and managers to override their scheme’s rules to pay flexible pensions from money purchase pension savings;
- remove some restrictions on lifetime annuity payments;
- ensure that individuals do not exploit the new system to gain unintended tax advantages by introducing a reduced annual allowance for money purchase savings where the individual has flexibly accessed their savings;
- increase the maximum value and scope of trivial commutation lump sum death benefits;
- provide new information requirements to ensure that individuals who have flexibly accessed their pension savings are aware of the tax consequences of doing so;
- restrict or reduce certain tax charges that apply to death benefits;
- enable persons other than dependants to inherit unused drawdown funds and provide that, where the death occurred before age 75, lump sum death benefits and drawdown pension from these funds can be paid tax free, subject to the member having sufficient available lifetime allowance; and

- make changes to the rules for individuals who receive UK tax relief in respect of pension savings in non-UK pension schemes, so that the flexibilities and restrictions to relief will apply equally to them.