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SCHEDULES

SCHEDULE 2

DEATH OF PENSION SCHEME MEMBER

PART 4

INCOME TAX ON BENEFICIARIES' INCOME WITHDRAWAL

- 25 (1) ITEPA 2003 is amended as follows.
- (2) In section 573 (foreign pensions to which section 573 applies) after subsection (2) insert—
- “(2A) This section does not apply to pension within section 574(1)(ba) if—
- (a) the pension is paid in respect of a deceased member of a pension scheme who had not reached the age of 75 at the date of death, and
 - (b) no pension payments to the person entitled to the pension were made before 6 April 2015 in respect of the deceased member out of any of the following—
 - (i) the fund from which the pension is paid, and
 - (ii) any fund represented (to any extent) by that fund.
- (2B) This section does not apply to pension within section 574(1)(bb) if the pension is paid in respect of a deceased individual who had not reached the age of 75 at the date of death.
- (2C) Subsection (2A) is subject to subsection (2D).
- (2D) This section does apply to pension within section 574(1)(ba) paid in respect of a deceased member of a pension scheme who had not reached the age of 75 at the date of death if the pension is paid in respect of sums or assets held for the purposes of the pension scheme under which the pension is paid (“the paying scheme”) that would, if the paying scheme were a registered pension scheme, be sums or assets—
- (a) representing unused uncrystallised funds (within the meaning of paragraph 27E(4) and (5) of Schedule 28 to FA 2004) in the deceased member's case, and
 - (b) designated on or after 6 April 2015 as available for the payment of dependants' drawdown pension or nominees' drawdown pension, but
 - (c) not so designated before the end of the period of two years beginning with the earlier of the day on which the scheme manager of the paying scheme first knew of the member's death and the day on which the scheme manager could first reasonably have been expected to have known of it.”

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- (3) In section 574(1) (foreign pensions: meaning of “pension”)—
- (a) in paragraph (b) (“pension” includes amounts corresponding to income withdrawal or dependants' income withdrawal)—
 - (i) omit “or dependants' income withdrawal”, and
 - (ii) for “paragraphs 7 and 21” substitute “ paragraph 7 ”, and
 - (b) before the “and” at the end of paragraph (b) insert—
 - “(ba) an amount paid under a relevant non-UK scheme or an overseas pension scheme which, if the scheme were a registered pension scheme, would be dependants' income withdrawal or nominees' income withdrawal (within the meaning of paragraphs 21 and 27D of Schedule 28 to FA 2004),
 - (bb) an amount paid under a relevant non-UK scheme or an overseas pension scheme which, if the scheme were a registered pension scheme, would be successors' income withdrawal (within the meaning of paragraph 27J of Schedule 28 to FA 2004),”.
- (4) In section 579A(1) (section applies to pensions under registered pension schemes, subject to subsection (2)) after “subsection (2)” insert “ and section 579CZA ”.
- (5) After section 579C insert—

“579CZA Exemption for beneficiaries' income withdrawal in some cases

- (1) Section 579A does not apply to dependants' income withdrawal or nominees' income withdrawal if it is paid—
 - (a) in respect of a deceased member of a registered pension scheme who had not reached the age of 75 at the date of the member's death, and
 - (b) to a person from the person's—
 - (i) dependant's drawdown pension fund,
 - (ii) dependant's flexi-access drawdown fund, or
 - (iii) nominee's flexi-access drawdown fund,
 in respect of a money purchase arrangement under a registered pension scheme.
- (2) Section 579A does not apply to successors' income withdrawal if it is paid—
 - (a) in respect of a deceased beneficiary of a deceased member of a registered pension scheme where the beneficiary had not reached the age of 75 at the date of the beneficiary's death, and
 - (b) to a person from the person's successor's flexi-access drawdown fund in respect of a money purchase arrangement under a registered pension scheme,
 and here “beneficiary” means dependant, nominee or successor.
- (3) Subsection (1) is subject to the following provisions of this section.
- (4) Section 579A does apply to dependants' income withdrawal paid on or after 6 April 2015 to a person from the person's dependant's drawdown pension fund in respect of a money purchase arrangement under a registered pension scheme (“the drawdown fund”) if before 6 April 2015—

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- (a) any payment of dependants' income withdrawal was made from—
 - (i) the drawdown fund, or
 - (ii) any fund represented (to any extent) by the drawdown fund, or
 - (b) any payment was made of a dependants' short-term annuity purchased using sums or assets out of—
 - (i) the drawdown fund, or
 - (ii) any fund represented (to any extent) by the drawdown fund.
- (5) Section 579A does apply to dependants' income withdrawal paid in respect of a deceased member of a registered pension scheme to a person from the person's dependant's flexi-access drawdown fund in respect of a money purchase arrangement under a registered pension scheme (“the new fund”) if—
 - (a) any of the sums or assets that make up the new fund—
 - (i) became newly-designated dependant funds under paragraph 22A(2)(b) of Schedule 28 to FA 2004 or as a result of the operation of any of paragraphs 22B to 22D of that Schedule, or
 - (ii) arise, or (directly or indirectly) derive, from any such newly-designated dependant funds or from sums or assets which so arise or derive,
 - (b) before 6 April 2015 any payment of dependants' income withdrawal in respect of the deceased member was made to the person from the person's dependant's drawdown pension fund in respect of a money purchase arrangement under a registered pension scheme, and
 - (c) any of the sums or assets that made up that fund at the time of that payment to any extent make up, or are represented by sums or assets that to any extent make up, the new fund.
- (6) Where relevant unused uncrystallised funds—
 - (a) are designated on or after 6 April 2015 as available for the payment of dependants' drawdown pension or nominees' drawdown pension, and
 - (b) as a result of the designation make up (to any extent) a person's dependant's flexi-access drawdown fund or nominee's flexi-access drawdown fund in respect of a money purchase arrangement under a registered pension scheme, but
 - (c) are not so designated before the end of the relevant two-year period, section 579A does apply to dependants' income withdrawal or nominees' income withdrawal paid to the person from the fund so far as it is paid in respect of sums or assets for the time being representing the whole or any part of those relevant unused uncrystallised funds.
- (7) In this section—
 - “dependant”, “nominee” and “successor” have the meaning given (respectively) by paragraphs 15, 27A and 27F of Schedule 28 to FA 2004,
 - “dependant's drawdown pension fund”, “dependant's flexi-access drawdown fund”, “nominee's flexi-access drawdown fund” and “successor's flexi-access drawdown fund” have the meaning given

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(respectively) by paragraphs 22, 22A, 27E and 27K of Schedule 28 to FA 2004,

“money purchase arrangement” has the meaning given by section 152 of FA 2004, and

“the relevant two-year period”, in relation to relevant unused uncrystallised funds held for the purposes of a money purchase arrangement relating to a deceased individual under a registered pension scheme, means the period of two years beginning with the earlier of the day on which the scheme administrator of the scheme first knew of the individual's death and the day on which the scheme administrator could first reasonably have been expected to have known of it.

(8) For the purposes of this section, sums or assets held after the death of a member of a registered pension scheme for the purposes of a money purchase arrangement relating to the member under the scheme are “relevant unused uncrystallised funds” if—

- (a) they are unused uncrystallised funds, and
- (b) the member had not reached the age of 75 at the date of the member's death.

(9) Paragraph 27E(4) and (5) of Schedule 28 to FA 2004 (meaning of “unused uncrystallised funds”) apply for the purposes of subsection (8)(a).”

(6) In section 579D (interpretation of sections 579A to 579D)—

(a) at the appropriate places insert—

““nominees' income withdrawal” has the meaning given by paragraph 27D of that Schedule;”, and

““successors' income withdrawal” has the meaning given by paragraph 27J of Schedule 28 to FA 2004.”, and

(b) in paragraph (b) of the definition of “pension under a registered pension scheme” after “dependants' income withdrawal” insert “, or nominees' income withdrawal or successors' income withdrawal.”.

(7) The amendments made by sub-paragraphs (2) to (5) have effect in relation to pension paid on or after 6 April 2015.

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