

SCHEDULES

SCHEDULE 2

DEATH OF PENSION SCHEME MEMBER

PART 2

LUMP SUM DEATH BENEFITS

Special lump sum death benefits charge

17 (1) Section 206 of FA 2004 (special lump sum death benefits charge) is amended as follows.

(2) After subsection (1) insert—

“(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).”

(3) After subsection (1A) insert—

“(1B) The special lump sum death benefits charge also arises where—

(a) a lump sum death benefit is paid 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, or

(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

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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 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.”

- (4) For subsection (7) (lump sum death benefits which are not to be treated as income for tax purposes) substitute—

“(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.”

- (5) In consequence of sub-paragraph (4) omit paragraph 41(5) of Schedule 16 to FA 2011.

- 18 In section 280(2) of FA 2004 (index of defined expressions) in the entry for “special lump sum death benefits charge” for “206(1)” substitute “206”.

Uncrystallised funds lump sum death benefit

- 19 (1) In paragraph 15 of Schedule 29 to FA 2004 (uncrystallised funds lump sum death benefit)—
- (a) in sub-paragraph (1) omit the second sentence (lump sum is uncrystallised funds lump sum death benefit only if paid before end of relevant two-year period), and
 - (b) omit sub-paragraph (1A) (meaning of “relevant two-year period” in the second sentence of sub-paragraph (1)).
- (2) In paragraph 16 of Schedule 32 to FA 2004 (benefit crystallisation event 7: uncrystallised funds lump sum death benefit is a “relevant lump sum death benefit”)—
- (a) in sub-paragraph (b) after “benefit” insert “, other than one—
 - (i) paid 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, but
 - (ii) not paid before the end of the relevant two-year period”, and
 - (b) after sub-paragraph (b) insert—

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“In sub-paragraph (b)(ii) “the relevant two-year period”, in relation to a member of 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 member’s death and the day on which the scheme administrator could first reasonably have been expected to have known of it.”

- (3) In section 636A of ITEPA 2003 (exemption for certain lump sums under registered pension schemes)—
- (a) in subsection (1) (lump sums on which there is no liability to income tax)—
 - (i) after paragraph (ca) insert “or”, and
 - (ii) omit paragraph (e) and the “or” preceding it (uncrystallised funds lump sum death benefit paid in respect of member who dies under 75), and
 - (b) in subsection (4)(aa) (on uncrystallised funds lump sum death benefit paid in respect of member who dies having reached 75 there is no liability to income tax other than liability under section 206 of FA 2004) omit “paid in respect of a member who had reached the age of 75 at the date of the member’s death”.
- (4) In consequence of sub-paragraphs (1) and (3) omit—
- (a) paragraphs 35(2)(c) and (3) and 42(2)(c) of Schedule 16 to FA 2011, and
 - (b) paragraph 28(2)(a) of Schedule 19 to FA 2007.

Commencement

- 20 The amendments made by paragraphs 17 and 19 apply to lump sums paid on or after 6 April 2015, and the amendment made by paragraph 18 comes into force on that day.