
Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2015, PART 4. (See end of Document for details)

SCHEDULES

SCHEDULE 4

PENSIONS: ANNUAL ALLOWANCE

PART 4

REDUCTION OF ANNUAL ALLOWANCE FOR HIGH-INCOME INDIVIDUALS

10 (1) In Part 4 of FA 2004, after section 228 insert—

“228ZA Tapered reduction of annual allowance: high-income individual

(1) If the individual is a high-income individual for the tax year, section 228(1) has effect for the tax year in the individual's case as if the amount (“A”) which it specifies for the tax year were reduced (but not below £10,000) by—

$$\left(T - \text{£}150,000 \right) \times \left(\frac{A - \text{£}10,000}{\text{£}60,000} \right)$$

where T 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—
- the individual's adjusted income for the tax year is more than £150,000, and
 - the individual's threshold income for the tax year is more than the amount given by £150,000 minus A.
- (4) The individual's “adjusted income” for the tax year is—
- the individual's net income for the year (see Step 2 of the calculation in section 23 of ITA 2007), plus
 - the amount of any relief under section 193(4) or 194(1) deducted at that Step, plus
 - the amount of any deductions made from employment income of the individual for the year—
 - under section 193(2), or
 - under Chapter 2 of Part 5 of ITEPA 2003 in accordance with paragraph 51(2) of Schedule 36, plus

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- (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
 - (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).

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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.
 - (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).”
- (2) The amendment made by sub-paragraph (1) has effect for the tax year 2016-17 and subsequent tax years.

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