Status: *Point in time view as at 19/07/2011.*
Changes to legislation: *Finance Act 2011, SCHEDULE 16 is up to date with all changes known to be in force on or before 08 July 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)*

SCHEDULES

SCHEDULE 16

Section 65

BENEFITS UNDER PENSION SCHEMES

PART 1

CHANGES TO BENEFITS AVAILABLE UNDER PENSION SCHEMES ETC

Unsecured and alternatively secured pension to be replaced by drawdown pension

1 (1) In Part 4 of FA 2004 (pension schemes etc), section 165 (pension rules) is amended as follows.

(2) In subsection (1)—

(a) in pension rule 4—

(i) for "If the member has not reached the age of 75, no payment of pension" substitute " No payment of pension ", and

(ii) for paragraph (c) substitute—

"(c) drawdown pension,";

(b) for pension rule 5 substitute— " *Pension rule 5* The total amount of drawdown pension paid in each drawdown pension year in respect of a money purchase arrangement must not exceed 100% of the basis amount for the drawdown pension year. ";

(c) omit pension rules 6 and 7.

(3) After subsection (3) insert—

"(3A) This subsection applies to an arrangement if—

(a) the member meets the flexible drawdown conditions,

(b) the member makes a valid declaration to the scheme administrator to that effect, and

(c) the declaration is accepted by the scheme administrator.

(3B) The member meets the flexible drawdown conditions if—

(a) the member satisfied the minimum income requirement on the relevant day,

(b) no relevant contributions are paid under any money purchase arrangement (other than a cash balance arrangement) relating to the member under a registered pension scheme in the tax year in which the declaration is made, and

(c) at the time of the declaration the member is not an active member of any registered pension scheme under which there is a defined benefits or cash balance arrangement relating to the member."

Status: *Point in time view as at 19/07/2011.*
Changes to legislation: *Finance Act 2011, SCHEDULE 16 is up to date with all changes known to be in force on or before 08 July 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)*

Meaning of "drawdown pension"

2 Part 1 of Schedule 28 to FA 2004 (pension rules) is amended as follows.

3 (1) In paragraph 4 (meaning of "unsecured pension"), for " "Unsecured pension"" substitute " "Drawdown pension" ".

(2) The heading before paragraph 4 becomes " *Drawdown pension* ".

4 In paragraph 6 (short-term annuity), in sub-paragraph (1)—

(a) in paragraph (a), for "member's unsecured pension fund" substitute " member's drawdown pension fund ";

(b) in paragraph (d), omit "and ends before the member reaches the age of 75".

5 For paragraph 7 (meaning of "income withdrawal") substitute—

"7 Income withdrawal" means an amount (other than an annuity) which the member is entitled to be paid from the member's drawdown pension fund in respect of an arrangement."

Member's drawdown pension fund

6 (1) In Part 1 of Schedule 28 to FA 2004, paragraph 8 (member's unsecured pension fund) is amended as follows.

(2) In sub-paragraph (1), for "member's unsecured pension fund" substitute " member's drawdown pension fund ".

(3) In sub-paragraph (1A)(a), for "unsecured pension" substitute " drawdown pension ".

(4) Omit sub-paragraphs (2) and (3).

(5) In sub-paragraph (4), for "unsecured pension fund" (in each place) substitute " drawdown pension fund ".

(6) The heading before paragraph 8 becomes " *Member's drawdown pension fund* ".

Drawdown pension year and basis amount for drawdown pension year

7 (1) In Part 1 of Schedule 28 to FA 2004, paragraph 9 (unsecured pension year) is amended as follows.

(2) In sub-paragraph (1)—

(a) for " "Unsecured pension year"" substitute " "Drawdown pension year" ";

(b) in paragraph (a), for "unsecured pension" substitute " drawdown pension ";

(c) at the end insert—

"This is subject to paragraph 10B."

(3) For sub-paragraph (2) substitute—

"(2) The drawdown pension year in which the member dies is the last drawdown pension year and ends immediately before the member's death."

(4) The heading before paragraph 9 becomes " *Drawdown pension year and basis amount for drawdown pension year* ".

8 (1) Paragraph 10 of that Schedule (basis amount) is amended as follows.

Status: *Point in time view as at 19/07/2011.*
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(2) For sub-paragraph (1) substitute—

"(A1) This paragraph applies in relation to drawdown pension years beginning on or before the member's 75th birthday.

(1) Subject as follows, the period of three drawdown pension years beginning with the first drawdown pension year, and each succeeding period of three drawdown pension years, is a "reference period".

(1ZA) But the reference period in which the member reaches the age of 75 ends with the drawdown pension year in which the member reaches that age."

(3) In sub-paragraph (1B)(b)—

(a) after "subject to" insert " sub-paragraph (1ZA) and ";

(b) for "five unsecured pension years" (in both places) substitute " three drawdown pension years ".

(4) In sub-paragraphs (2) and (4)—

(a) for "unsecured pension year" substitute " drawdown pension year ";

(b) for "member's unsecured pension fund" substitute " member's drawdown pension fund ".

(5) In sub-paragraph (5)—

(a) for "an unsecured pension year" substitute " a drawdown pension year ";

(b) for "that unsecured pension year" substitute " that drawdown pension year ".

(6) In sub-paragraph (6)—

(a) for "unsecured pension year" substitute " drawdown pension year ";

(b) for "member's unsecured pension fund" substitute " member's drawdown pension fund ".

(7) After sub-paragraph (6) insert—

"(6A) But sub-paragraph (5) does not apply where the operation of that sub-paragraph in relation to an additional fund designation during a drawdown pension year would reduce the basis amount for that drawdown pension year."

(8) In sub-paragraph (7), for "member's unsecured pension fund" substitute " member's drawdown pension fund ".

(9) In sub-paragraph (8), for "unsecured pension" substitute " drawdown pension ".

(10) In sub-paragraph (8A), for "member's unsecured pension fund" substitute " member's drawdown pension fund ".

(11) In sub-paragraph (9)(b), for "unsecured pension year" substitute " drawdown pension year ".

(12) After sub-paragraph (10) insert—

"(11) Nothing in this paragraph applies in respect of an arrangement to which section 165(3A) applies."

9 After paragraph 10 of that Schedule insert—

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"10A (1) This paragraph applies in relation to drawdown pension years beginning after the member's 75th birthday.

(2) For the first drawdown pension year beginning after the member reached the age of 75, and each succeeding drawdown pension year, the basis amount is the annual amount of the relevant annuity which could have been purchased by the application of the sums and assets representing the member's drawdown pension fund on the nominated date.

(3) In a case where the member first becomes entitled to drawdown pension in respect of the arrangement after reaching the age of 75, "the nominated date", in relation to the first drawdown pension year in respect of the arrangement, is the first day of that year.

(4) In any other case, "the nominated date", in relation to the first drawdown pension year beginning after the member reached the age of 75, is—

(a) if the member and the scheme administrator so agree, the day immediately before the member's 75th birthday, or

(b) if they do not so agree, such day within the period of 60 days ending with the first day of the drawdown pension year as is nominated by the scheme administrator (or, if no day is nominated by the scheme administrator, the first day of that year).

(5) "The nominated date", in relation to each other drawdown pension year, is such day within the period of 60 days ending with the first day of the drawdown pension year as is nominated by the scheme administrator (or, if no day is nominated by the scheme administrator, is the first day of that year).

(6) On the occasion of each additional fund designation during a drawdown pension year, the basis amount of that drawdown pension year is to be recalculated in accordance with sub-paragraph (7).

(7) The basis amount for the drawdown pension year is the annual amount of the relevant annuity which could have been purchased by the application of the sums and assets representing the member's drawdown pension fund immediately after the additional fund designation.

(8) But sub-paragraph (6) does not apply where the operation of that sub-paragraph in relation to an additional fund designation during a drawdown pension year would reduce the basis amount for that drawdown pension year.

(9) "Additional fund designation" has the meaning given by paragraph 10(8).

(10) Paragraph 14 defines "relevant annuity".

(11) Nothing in this paragraph applies in respect of an arrangement to which section 165(3A) applies.

10B (1) This paragraph applies if the member has reached the age of 75.

(2) Sub-paragraph (3) applies if, at any time during a drawdown pension year in respect of an arrangement ("the current drawdown pension

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year"), the member notifies the scheme administrator that the member wishes the drawdown pension year following the current drawdown pension year to begin on the day on which the next drawdown pension year in respect of another arrangement relating to the member under the pension scheme (including any arrangement relating to that person as a dependant) will begin.

(3) The scheme administrator may determine—

(a) that the current drawdown pension year is to end immediately before that day, and

(b) that the period of 12 months beginning with that day, and each succeeding period of 12 months, is a drawdown pension year in respect of the arrangement.

(4) The scheme administrator may not make a determination under this paragraph more than once in relation to the same arrangement."

Flexible drawdown: minimum income requirement etc

10 In Part 1 of Schedule 28 to FA 2004, after paragraph 14 insert—

"Minimum income requirement

14A (1) The member satisfies the minimum income requirement at any time in a tax year if the amount of relevant income payable to the member for that tax year is not less than the minimum income threshold.

(2) The minimum income threshold is £20,000.

(3) "Relevant income" means any of the following kinds of income—

(a) payments of a scheme pension or dependants' scheme pension provided by a registered pension scheme;

(b) payments of a lifetime annuity or dependants' annuity made by a registered pension scheme;

(c) payments under an overseas pension scheme which, if the scheme were a registered pension scheme, would fall within paragraph (a) or (b);

(d) payments of a social security pension;

(e) payments under the financial assistance scheme which are payable until the member's death;

(f) payments made under that scheme in anticipation of, and on account of, payments falling within paragraph (e).

(4) But "relevant income" does not include—

(a) drawdown pension or dependants' drawdown pension, or

(b) any payments under an overseas pension scheme which, if the scheme were a registered pension scheme, would be drawdown pension or dependants' drawdown pension.

(5) A payment of any pension or annuity within sub-paragraph (3), or a payment under the financial assistance scheme, is not to be regarded as relevant income unless the member has, at any time before the time

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mentioned in sub-paragraph (1), already received a payment of that pension or annuity or (as the case may be) a payment under that scheme.

(6) For the purposes of sub-paragraph (1), the amount of any relevant income payable in a currency other than sterling is to be taken to be the equivalent amount in sterling, calculated by reference to an appropriate spot rate of exchange prevailing on the relevant day.

(7) In this paragraph—

"financial assistance scheme" means the scheme provided for by regulations under section 286 of the Pensions Act 2004;

"social security pension" means—

(a) any pension, benefit or allowance to which section 577 of ITEPA 2003 applies, and

(b) any pension, benefit or allowance which—

(i) is payable under the law of a country or territory outside the United Kingdom, and

(ii) is substantially similar in character to a pension, benefit or allowance to which that section applies.

(8) Any regulations made under paragraph 7 of Schedule 34 (application of Part 4 of this Act in relation to relevant non-UK schemes) have effect for the purposes of sub-paragraphs (3)(c) and (4)(b) of this paragraph as they have effect for the purposes of that Schedule.

14B (1) The Treasury may by order amend paragraph 14A(2) so as to substitute a different amount for the amount for the time being specified as the minimum income threshold.

(2) The Treasury may by regulations—

(a) amend paragraph 14A so as to add, vary or remove descriptions of payments which are relevant income;

(b) provide that in prescribed circumstances the whole or part of any relevant payment, or any relevant payment of a prescribed description, is not to be regarded as relevant income.

(3) In this paragraph—

"prescribed" means prescribed in regulations made by the Treasury;

"relevant payment" means a payment falling within paragraph 14A(3).

The relevant day

14C "The relevant day" means—

(a) in a case where subsection (3A) of section 165 has not previously applied to an arrangement relating to the member, the day on which the declaration referred to in paragraph (b) of that subsection is made, and

(b) in a case where subsection (3A) of that section has previously applied to such an arrangement, the day on which that subsection first so applied.

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Relevant contributions

14D "Relevant contributions" means—

(a) relievable pension contributions paid by or on behalf of the member, or

(b) contributions paid in respect of the member by an employer of the member.

Valid and accepted declarations

14E (1) A declaration is "valid" if it complies with such requirements as may be prescribed by regulations made by the Commissioners for Her Majesty's Revenue and Customs.

(2) A declaration is accepted by the scheme administrator of a registered pension scheme if, as a result of the making of the declaration, the member becomes eligible to receive payments of drawdown pension in respect of an arrangement under the scheme which, but for the application of section 165(3A), would be unauthorised member payments."

Dependants' drawdown pension

11 (1) In Part 4 of FA 2004, section 167 (pension death benefit rules) is amended as follows.

(2) In subsection (1)—

(a) in pension death benefit rule 3—

(i) for "If a dependant has not reached the age of 75, no payment of pension death benefit to the dependant" substitute " No payment of pension death benefit ",

(ii) for paragraph (c) substitute—

"(c) dependants' drawdown pension,", and

(iii) for "the dependant" substitute " a dependant ";

(b) for pension death benefit rule 4 substitute— " *Pension death benefit rule 4* The total amount of dependants' drawdown pension paid to a dependant in each drawdown pension year in respect of a money purchase arrangement must not exceed 100% of the basis amount for the drawdown pension year. But this limit does not apply in relation to an arrangement to which subsection (2A) applies. ";

(c) omit pension death benefit rules 5 and 6.

(3) After subsection (2) insert—

"(2A) This subsection applies to an arrangement if—

(a) the dependant meets the flexible drawdown conditions,

(b) the dependant makes a valid declaration to the scheme administrator to that effect, and

(c) the declaration is accepted by the scheme administrator.

(2B) The dependant meets the flexible drawdown conditions if—

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(a) the dependant satisfied the minimum income requirement on the relevant day,

(b) no relevant contributions are paid under any money purchase arrangement (other than a cash balance arrangement) relating to the dependant under a registered pension scheme in the tax year in which the declaration is made, and

(c) at the time of the declaration the dependant is not an active member of any registered pension scheme under which there is a defined benefits or cash balance arrangement relating to the dependant."

Meaning of "dependants' drawdown pension"

12 Part 2 of Schedule 28 to FA 2004 (pension death benefit rules) is amended as follows.

13 (1) In paragraph 18 (meaning of "dependants' unsecured pension"), for ""Dependants' unsecured pension"" substitute ""Dependants' drawdown pension"".

(2) The heading before paragraph 18 becomes " *Dependants' drawdown pension* ".

14 In paragraph 20 (dependants' short-term annuity), in sub-paragraph (1)—

(a) in paragraph (a), for "dependant's unsecured pension fund" substitute " dependant's drawdown pension fund ";

(b) in paragraph (d), omit the words "reaches the age of 75 or".

15 For paragraph 21 (meaning of "dependants' income withdrawal") substitute—

"21 Dependants' income withdrawal" means an amount (other than an annuity) which the dependant is entitled to be paid from the dependant's drawdown pension fund in respect of an arrangement."

Dependant's drawdown pension fund

16 (1) In Part 2 of Schedule 28 to FA 2004, paragraph 22 (dependant's unsecured pension fund) is amended as follows.

(2) In sub-paragraph (1), for "dependant's unsecured pension fund" substitute " dependant's drawdown pension fund ".

(3) In sub-paragraph (2)(a), for "dependant's unsecured pension" substitute "dependants' drawdown pension".

(4) In sub-paragraph (3)—

(a) for "dependant's unsecured pension fund" (in both places) substitute " dependant's drawdown pension fund ";

(b) in paragraph (a), for "an unsecured pension fund" substitute " a drawdown pension fund ".

(5) The heading before paragraph 22 becomes " *Dependant's drawdown pension fund* ".

Drawdown pension year and basis amount for drawdown pension year

17 (1) In Part 2 of Schedule 28 to FA 2004, paragraph 23 (unsecured pension year) is amended as follows.

(2) In sub-paragraph (1)—

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(a) for " "Unsecured pension year"" substitute " "Drawdown pension year" ";
(b) in paragraph (a), for "dependants' unsecured pension" substitute "dependants' drawdown pension";
(c) at the end insert—

"This is subject to paragraph 24B."

(3) For sub-paragraph (2) substitute—

"(2) The drawdown pension year in which the dependant dies is the last drawdown pension year and ends immediately before the dependant's death."

(4) The heading before paragraph 23 becomes " *Drawdown pension year and basis amount for drawdown pension year* ".

18 (1) Paragraph 24 of that Schedule (basis amount) is amended as follows.

(2) For sub-paragraph (1) substitute—

"(A1) This paragraph applies in relation to drawdown pension years beginning on or before the dependant's 75th birthday.

(1) Subject as follows, the period of three drawdown pension years beginning with the first drawdown pension year, and each succeeding period of three drawdown pension years, is a "reference period".

(1ZA) But the reference period in which the dependant reaches the age of 75 ends with the drawdown pension year in which the dependant reaches that age."

(3) In sub-paragraph (1B)(b)—
(a) after "subject to" insert " sub-paragraph (1ZA) and ";
(b) for "five unsecured pension years" (in both places) substitute " three drawdown pension years ".

(4) In sub-paragraphs (2) and (4)—
(a) for "unsecured pension year" substitute " drawdown pension year ";
(b) for "dependant's unsecured pension fund" substitute " dependant's drawdown pension fund ".

(5) In sub-paragraph (5)—
(a) for "an unsecured pension year" substitute " a drawdown pension year ";
(b) for "that unsecured pension year" substitute " that drawdown pension year ".

(6) In sub-paragraph (6)—
(a) for "unsecured pension year" substitute " drawdown pension year ";
(b) for "dependant's unsecured pension fund" substitute " dependant's drawdown pension fund ".

(7) After sub-paragraph (6) insert—

"(6A) But sub-paragraph (5) does not apply where the operation of that sub-paragraph in relation to an additional fund designation during a drawdown pension year would reduce the basis amount for that drawdown pension year."

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(8) In sub-paragraph (7), for "dependant's unsecured pension fund" substitute " dependant's drawdown pension fund ".

(9) In sub-paragraph (8)—

(a) for "sums and assets" substitute " sums or assets ";

(b) for "unsecured dependants' pension" substitute "dependants' drawdown pension".

(10) In sub-paragraph (8A), for "dependant's unsecured pension fund" substitute " dependant's drawdown pension fund ".

(11) In sub-paragraph (9)(b), for "unsecured pension year" substitute " drawdown pension year ".

(12) After sub-paragraph (10) insert—

"(11) Nothing in this paragraph applies in respect of an arrangement to which section 167(2A) applies."

19 After paragraph 24 of that Schedule insert—

"24A (1) This paragraph applies in relation to drawdown pension years beginning after the dependant's 75th birthday.

(2) For each drawdown pension year beginning after the dependant reached the age of 75, the basis amount is the annual amount of the relevant annuity which could have been purchased by the application of the sums and assets representing the dependant's drawdown pension fund on the nominated date.

(3) "The nominated date" is such day within the period of 60 days ending with the first day of the drawdown pension year as is nominated by the scheme administrator (or, if no day is nominated by the scheme administrator, is the first day of that year).

(4) On the occasion of each additional fund designation during a drawdown pension year, the basis amount of that drawdown pension year is to be recalculated in accordance with sub-paragraph (5).

(5) The basis amount for the drawdown pension year is the annual amount of the relevant annuity which could have been purchased by the application of the sums and assets representing the dependant's drawdown pension fund immediately after the additional fund designation.

(6) But sub-paragraph (4) does not apply where the operation of that sub-paragraph in relation to an additional fund designation during a drawdown pension year would reduce the basis amount for that drawdown pension year.

(7) "Additional fund designation" has the meaning given by paragraph 24(8).

(8) Paragraph 14 defines "relevant annuity".

(9) Nothing in this paragraph applies in respect of an arrangement to which section 167(2A) applies.

24B (1) This paragraph applies if the dependant has reached the age of 75.

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(2) Sub-paragraph (3) applies if, at any time during a drawdown pension year in respect of an arrangement ("the current drawdown pension year"), the dependant notifies the scheme administrator that the dependant wishes the drawdown pension year following the current drawdown pension year to begin on the day on which the next drawdown pension year in respect of another arrangement relating to the dependant under the pension scheme (including any arrangement relating to that person as a member of the scheme) will begin.

(3) The scheme administrator may determine—

(a) that the current drawdown pension year is to end immediately before that day, and

(b) that the period of 12 months beginning with that day, and each succeeding period of 12 months, is a drawdown pension year in respect of the arrangement.

(4) The scheme administrator may not make a determination under this paragraph more than once in relation to the same arrangement."

Flexible drawdown: minimum income requirement etc

20 In Part 2 of Schedule 28 to FA 2004, after paragraph 24B insert—

"Minimum income requirement

24C (1) The dependant satisfies the minimum income requirement at any time in a tax year if the amount of relevant income payable to the dependant for that tax year is not less than the minimum income threshold.

(2) The minimum income threshold is £20,000.

(3) "Relevant income" means any of the following kinds of income—

(a) payments of a scheme pension or dependants' scheme pension provided by a registered pension scheme;

(b) payments of a lifetime annuity or dependants' annuity made by a registered pension scheme;

(c) payments under an overseas pension scheme which, if the scheme were a registered pension scheme, would fall within paragraph (a) or (b);

(d) payments of a social security pension;

(e) payments under the financial assistance scheme which are payable until the dependant's death;

(f) payments made under that scheme in anticipation of, and on account of, payments falling within paragraph (e).

(4) But "relevant income" does not include—

(a) drawdown pension or dependants' drawdown pension, or

(b) any payments under an overseas pension scheme which, if the scheme were a registered pension scheme, would be drawdown pension or dependants' drawdown pension.

Status: *Point in time view as at 19/07/2011.*
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(5) A payment of any pension or annuity within sub-paragraph (3), or a payment under the financial assistance scheme, is not to be regarded as relevant income unless the dependant has, at any time before the time mentioned in sub-paragraph (1), already received a payment of that pension or annuity or (as the case may be) a payment under that scheme.

(6) For the purposes of sub-paragraph (1), the amount of any relevant income payable in a currency other than sterling is to be taken to be the equivalent amount in sterling, calculated by reference to an appropriate spot rate of exchange prevailing on the relevant day.

(7) In this paragraph—

"financial assistance scheme" means the scheme provided for by regulations under section 286 of the Pensions Act 2004;

"social security pension" means—

(a) any pension, benefit or allowance to which section 577 of ITEPA 2003 applies, and

(b) any pension, benefit or allowance which—

(i) is payable under the law of a country or territory outside the United Kingdom, and

(ii) is substantially similar in character to a pension, benefit or allowance to which that section applies.

(8) Any regulations made under paragraph 7 of Schedule 34 (application of Part 4 of this Act in relation to relevant non-UK schemes) have effect for the purposes of sub-paragraphs (3)(c) and (4)(b) of this paragraph as they have effect for the purposes of that Schedule.

24D (1) The Treasury may by order amend paragraph 24C(2) so as to substitute a different amount for the amount for the time being specified as the minimum income threshold.

(2) The Treasury may by regulations—

(a) amend paragraph 24C so as to add, vary or remove descriptions of payments which are relevant income;

(b) provide that in prescribed circumstances the whole or part of any relevant payment, or any relevant payment of a prescribed description, is not to be regarded as relevant income.

(3) In this paragraph—

"prescribed" means prescribed in regulations made by the Treasury;

"relevant payment" means a payment falling within paragraph 24C(3).

The relevant day

24E "The relevant day" means—

(a) in a case where subsection (2A) of section 167 has not previously applied to an arrangement relating to the dependant, the day on which the declaration referred to in paragraph (b) of that subsection is made, and

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(b) in a case where subsection (2A) of that section has previously applied to such an arrangement, the day on which that subsection first so applied.

Relevant contributions

24F "Relevant contributions" means—

(a) relievable pension contributions paid by or on behalf of the dependant, or

(b) contributions paid in respect of the dependant by an employer of the dependant.

Valid and accepted declarations

24G (1) A declaration is "valid" if it complies with such requirements as may be prescribed by regulations made by the Commissioners for Her Majesty's Revenue and Customs.

(2) A declaration is accepted by the scheme administrator of a registered pension scheme if, as a result of the making of the declaration, the dependant becomes eligible to receive payments of dependants' drawdown pension in respect of an arrangement under the scheme which, but for the application of section 167(2A), would be unauthorised member payments."

Foreign pensions: temporary non-residents

21 (1) In Part 9 of ITEPA 2003 (pension income), Chapter 4 (foreign pensions: general rules) is amended as follows.

(2) In section 574 ("pension": interpretation)—

(a) for subsection (1) substitute—

"(1) For the purposes of this Chapter "pension" includes—

(a) an annuity under, or purchased with sums or assets held for the purposes of, or representing acquired rights under, a relevant non-UK scheme or an overseas pension scheme,

(b) 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 income withdrawal or dependants' income withdrawal (within the meaning of paragraphs 7 and 21 of Schedule 28 to FA 2004), and

(c) if conditions A and B are met, a pension which is paid voluntarily or is capable of being discontinued.";

(b) for subsection (4) substitute—

"(4) In this section—

"office" includes in particular any position which has an existence independent of the person who holds it and may be filled by successive holders;

"overseas pension scheme" has the same meaning as in Part 4 of FA 2004 (see section 150(7) of that Act);

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"relevant non-UK scheme" is to be read in accordance with paragraph 1(5) of Schedule 34 to FA 2004."

(3) In section 575(1) (taxable pension income), at the end insert " and section 576A ".

(4) After section 576 insert—

"**576A Temporary non-residents**

(1) If this section applies in relation to a tax year, any relevant non-UK income withdrawal under a relevant non-UK scheme which—
  (a) is paid to a person in respect of a flexible drawdown arrangement relating to the person under the scheme,
  (b) is paid in a year of non-residence, and
  (c) would not, apart from this section, be chargeable to tax under this Part,

is to be treated for the purposes of section 575 as if it arose in that tax year.

(2) This section applies in relation to a tax year if—
  (a) the person satisfies the residence requirements for the tax year ("the year of return"),
  (b) the person did not satisfy those requirements for one or more tax years immediately before the year of return but did satisfy those requirements for an earlier tax year,
  (c) there are fewer than 5 tax years between—
    (i) the last tax year before the year of return for which the person satisfied those requirements ("the year of departure"), and
    (ii) the year of return, and
  (d) the person satisfied those requirements for at least 4 out of the 7 tax years immediately before the year of departure.

(3) For the purposes of this section—
  (a) a person satisfies the residence requirements for a tax year if the person—
    (i) is resident in the United Kingdom during that year, and
    (ii) is not Treaty non-resident at any time in that year;
  (b) a person is Treaty non-resident at any time if, at that time, the person falls to be regarded as resident in a territory outside the United Kingdom for the purposes of double taxation relief arrangements having effect at that time.

(4) If—
  (a) section 809B, 809D or 809E of ITA 2007 (remittance basis) applies to the person for the year of return, and
  (b) the person—
    (i) is not domiciled in the United Kingdom in that year, or
    (ii) is not ordinarily resident in the United Kingdom in that year,

any amounts of relevant non-UK income withdrawal falling within subsection (1) which were remitted in a year of non-residence are treated as remitted in the year of return.

Status: *Point in time view as at 19/07/2011.*
Changes to legislation: *Finance Act 2011, SCHEDULE 16 is up to date with all changes known to be in force on or before 08 July 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)*

(5) This section does not apply to any relevant non-UK income withdrawal paid to or in respect of a relieved member of a relevant non-UK scheme unless the payment is referable to the member's UK tax-relieved fund under the scheme.

(6) This section does not apply to any relevant non-UK income withdrawal paid to or in respect of a transfer member of a relevant non-UK scheme unless the payment is referable to the member's relevant transfer fund under the scheme.

(7) Nothing in any double taxation relief arrangements is to be read as preventing the person from being chargeable to income tax in respect of any relevant non-UK income withdrawal treated by virtue of this section as arising in the year of return (or as preventing a charge to that tax from arising as a result).

(8) In this section—

"double taxation relief arrangements" means arrangements that have effect under section 2(1) of TIOPA 2010;

"flexible drawdown arrangement" means an arrangement to which section 165(3A) or 167(2A) of FA 2004 applies;

"member's relevant transfer fund" has the same meaning as in Schedule 34 to FA 2004 (see paragraph 4(2) of that Schedule);

"member's UK tax-relieved fund" has the same meaning as in that Schedule (see paragraph 3(2));

"relevant non-UK income withdrawal", in relation to a relevant non-UK scheme, means an amount paid under the scheme which, if the scheme were a registered pension scheme, would be income withdrawal or dependants' income withdrawal (within the meaning of paragraphs 7 and 21 of Schedule 28 to FA 2004);

"relevant non-UK scheme" is to be read in accordance with paragraph 1(5) of Schedule 34 to FA 2004;

"relieved member" and "transfer member" have the same meaning as in that Schedule (see paragraph 1(7) and (8));

"year of non-residence" means any tax year which falls between the year of departure and the year of return."

Pensions under registered pension schemes: temporary non-residents

22 (1) In Part 9 of ITEPA 2003 (pension income), Chapter 5A (pensions under registered pension schemes) is amended as follows.

(2) In section 579B (taxable pension income), at the end insert—

"This is subject to section 579CA."

(3) After section 579C insert—

"**579CA Temporary non-residents**

(1) If this section applies in relation to a tax year, any income withdrawal or dependants' income withdrawal under the registered pension scheme which—

Status: *Point in time view as at 19/07/2011.*
Changes to legislation: *Finance Act 2011, SCHEDULE 16 is up to date with all changes known to be in force on or before 08 July 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)*

(a) is paid to a person in respect of a flexible drawdown arrangement relating to the person under the scheme,

(b) is paid in a year of non-residence, and

(c) would not, apart from this section, be chargeable to tax under this Part,

is to be treated for the purposes of section 579B as if it accrued in that tax year.

(2) This section applies in relation to a tax year if—

(a) the person satisfies the residence requirements for the tax year ("the year of return"),

(b) the person did not satisfy those requirements for one or more tax years immediately before the year of return but did satisfy those requirements for an earlier tax year,

(c) there are fewer than 5 tax years between—

(i) the last tax year before the year of return for which the person satisfied those requirements ("the year of departure"), and

(ii) the year of return, and

(d) the person satisfied those requirements for at least 4 out of the 7 tax years immediately before the year of departure.

(3) For the purposes of this section—

(a) a person satisfies the residence requirements for a tax year if the person—

(i) is resident in the United Kingdom during that year, and

(ii) is not Treaty non-resident at any time in that year;

(b) a person is Treaty non-resident at any time if, at that time, the person falls to be regarded as resident in a territory outside the United Kingdom for the purposes of double taxation relief arrangements having effect at that time.

(4) Nothing in any double taxation relief arrangements is to be read as preventing the person from being chargeable to income tax in respect of any income withdrawal or dependants' income withdrawal treated by virtue of this section as accruing in the year of return (or as preventing a charge to that tax from arising as a result).

(5) In this section—

"double taxation relief arrangements" means arrangements that have effect under section 2(1) of TIOPA 2010;

"flexible drawdown arrangement" means an arrangement to which section 165(3A) or 167(2A) of FA 2004 applies;

"year of non-residence" means any tax year which falls between the year of departure and the year of return."

(4) For section 579D (interpretation) substitute—

"**579D Interpretation**

In this Chapter—

Status: *Point in time view as at 19/07/2011.*
Changes to legislation: *Finance Act 2011, SCHEDULE 16 is up to date with all changes known to be in force on or before 08 July 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)*

"dependants' income withdrawal" has the meaning given by paragraph 21 of Schedule 28 to FA 2004;

"income withdrawal" has the meaning given by paragraph 7 of that Schedule;

"pension under a registered pension scheme" includes—

(a) an annuity under, or purchased with sums or assets held for the purposes of, or representing acquired rights under, a registered pension scheme, and

(b) income withdrawal or dependants' income withdrawal under a registered pension scheme."

Lump sums to be payable to persons aged 75 or over

23 Part 1 of Schedule 29 to FA 2004 (lump sum rule) is amended as follows.

24 (1) Paragraph 1 (pension commencement lump sum) is amended as follows.

(2) In sub-paragraph (1)—

(a) omit paragraph (a);

(b) in paragraph (b), after "available" insert " (but see sub-paragraph (3A)) ".

(3) After sub-paragraph (3) insert—

"(3A) In a case where—

(a) the member becomes entitled to a lump sum before reaching the age of 75, but

(b) it is not paid to the member until after the member has reached that age,

the reference in sub-paragraph (1)(b) to the lump sum being paid is to be read as a reference to the member becoming entitled to it."

(4) In sub-paragraph (6), for the words from "even though" to the end substitute " even though the condition in sub-paragraph (1)(c) is not met. "

25 In paragraph 2 (pension commencement lump sum: calculation of permitted maximum), after sub-paragraph (7) insert—

"(7A) For the purposes of determining the available portion of the member's lump sum allowance—

(a) the fact that benefit crystallisation event 5 or benefit crystallisation event 5B has occurred in relation to the member is to be disregarded, and

(b) anything which, but for paragraph 2 or 15A of Schedule 32, would have been a benefit crystallisation event is to be treated as if it were such an event."

26 In paragraph 3 (pension commencement lump sum: calculation of applicable amount), in sub-paragraph (7), for the definition of "AC" substitute—

"AC is—

(a) in a case where the member becomes entitled to the pension before reaching the age of 75, the amount crystallised by reason of the member becoming entitled to the pension, disregarding paragraph 3 of Schedule 32, and

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(b) in a case where the member becomes entitled to the pension after reaching that age, the amount that would have been so crystallised (disregarding that paragraph) but for paragraph 2 of that Schedule."

27 (1) Paragraph 3A (recycling of pension commencement lump sums) is amended as follows.

(2) In sub-paragraph (2), for "sub-paragraphs (3) and (4)" substitute " sub-paragraphs (3) to (4A) ".

(3) After sub-paragraph (4) insert—

"(4A) This paragraph does not apply if—

(a) the member has reached the age of 75 when the contributions are paid as mentioned in sub-paragraph (2)(a), and

(b) the contributions are not paid by an employer of the member."

(4) For sub-paragraph (5) substitute—

"(5) The appropriate amount" is—

(a) where the member becomes entitled to the lump sum before reaching the age of 75, so much of the amount crystallised by the benefit crystallisation event constituted by its payment (or the amount that would have been so crystallised but for paragraph 15A of Schedule 32) as does not exceed the amount of the member's lifetime allowance which is available on it;

(b) where the member becomes entitled to the lump sum after reaching that age, the amount of the lump sum."

28 (1) Paragraph 4 (serious ill-health lump sum) is amended as follows.

(2) In sub-paragraph (1)—

(a) at the end of paragraph (c) insert " and ";

(b) omit paragraph (e) (and the "and" before it).

(3) After sub-paragraph (2) insert—

"(3) For the purposes of sub-paragraph (2)—

(a) the fact that benefit crystallisation event 5 or benefit crystallisation event 5B has occurred in relation to the member is to be disregarded, and

(b) anything which, but for paragraph 2 of Schedule 32, would have been a benefit crystallisation event is to be treated as if it were such an event."

29 In paragraph 7 (trivial commutation lump sum), in sub-paragraph (1)(e), omit "but has not reached the age of 75".

30 In paragraph 10(1) (winding-up lump sum)—

(a) at the end of paragraph (d) insert " and ";

(b) omit paragraph (f) (and the "and" before it).

31 In paragraph 12 (interpretation of Part 1), after sub-paragraph (1) insert—

"(1A) For the purposes of determining whether all or part of the member's lifetime allowance is available—

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(a) the fact that benefit crystallisation event 5 or benefit crystallisation event 5B has occurred in relation to the member is to be disregarded, and

(b) anything which, but for paragraph 2 or 15A of Schedule 32, would have been a benefit crystallisation event is to be treated as if it were such an event."

Lump sum death benefits to be payable to persons aged 75 or over

32 Part 2 of Schedule 29 to FA 2004 (lump sum death benefit rule) is amended as follows.

33 (1) Paragraph 13 (defined benefits lump sum death benefit) is amended as follows.

(2) The existing text becomes sub-paragraph (1).

(3) In that sub-paragraph—

(a) omit paragraph (a);

(b) omit paragraph (c) (but not the "and" after it);

(c) at the end insert—

"But, in a case where the member had not reached the age of 75 at the date of the member's death, a lump sum death benefit is a defined benefits lump sum death benefit only if it is paid before the end of the relevant two-year period."

(4) After that sub-paragraph insert—

"(2) The relevant two-year period" means the period of two years beginning with the earlier of the day on which the scheme administrator first knew of the member's death and the day on which the scheme administrator could first reasonably be expected to have known of it."

34 (1) Paragraph 14 (pension protection lump sum death benefit) is amended as follows.

(2) In sub-paragraph (1), omit paragraph (a).

(3) In sub-paragraph (3), for the definition of "AC" substitute—

"AC is—

(a) in a case where the member became entitled to the pension before reaching the age of 75, the amount crystallised by reason of the member becoming entitled to the pension, and

(b) in a case where the member became entitled to the pension after having reached that age, the amount that would have been so crystallised but for paragraph 2 of Schedule 32,".

35 (1) Paragraph 15 (uncrystallised funds lump sum death benefit) is amended as follows.

(2) In sub-paragraph (1)—

(a) omit paragraphs (a) and (c);

(b) at the end of paragraph (d) insert ", and

(e) it is not a charity lump sum death benefit.";

(c) at the end insert—

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"But, in a case where the member had not reached the age of 75 at the date of the member's death, a lump sum death benefit is an uncrystallised funds lump sum death benefit only if it is paid before the end of the relevant two-year period."

(3) After that sub-paragraph insert—

"(1A) The relevant two-year period" means the period of two years beginning with the earlier of the day on which the scheme administrator first knew of the member's death and the day on which the scheme administrator could first reasonably be expected to have known of it."

36 (1) Paragraph 16 (annuity protection lump sum death benefit) is amended as follows.

(2) In sub-paragraph (1), omit paragraph (a).

(3) In sub-paragraph (3), for the definition of "AC" substitute—

"AC is—

(a) in a case where the member became entitled to the pension or annuity before reaching the age of 75, the amount crystallised by reason of the member becoming entitled to the pension or annuity, disregarding paragraphs 3 and 4 of Schedule 32, and

(b) in a case where the member became entitled to the pension or annuity after having reached that age, the amount that would have been so crystallised (disregarding those paragraphs) but for paragraph 2 of that Schedule,".

37 (1) Paragraph 17 (unsecured pension fund lump sum death benefit) is amended as follows.

(2) For sub-paragraph (1) substitute—

"(1) For the purposes of this Part a lump sum death benefit is a drawdown pension fund lump sum death benefit if—

(a) it is paid in respect of income withdrawal to which the member was entitled under an arrangement at the date of the member's death, and

(b) it is not a charity lump sum death benefit."

(3) In sub-paragraph (2)—

(a) for "an unsecured pension fund lump sum death benefit" substitute " a drawdown pension fund lump sum death benefit ";

(b) omit paragraph (b);

(c) at the end of paragraph (c) insert ", and

(d) it is not a charity lump sum death benefit."

(4) In sub-paragraph (3), for "an unsecured pension fund lump sum death benefit" substitute " a drawdown pension fund lump sum death benefit ".

(5) In sub-paragraph (4), for "unsecured pension fund" substitute " drawdown pension fund ".

(6) The heading before paragraph 17 becomes " *Drawdown pension fund lump sum death benefit* ".

38 (1) Paragraph 18 (charity lump sum death benefit) is amended as follows.

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(2) In sub-paragraph (1)—

(a) omit paragraph (a);

(b) in paragraph (c), for the words from "in respect of" to "Schedule 28)" substitute " in respect of the member's drawdown pension fund ";

(c) in paragraph (d), omit from "(or, if the member" to the end.

(3) After sub-paragraph (1) insert—

"(1A) A lump sum death benefit is also a charity lump sum death benefit if—

(a) the member had reached the age of 75 at the date of the member's death,

(b) there are no dependants of the member,

(c) it is paid in respect of relevant uncrystallised funds in respect of a money purchase arrangement at the date of the member's death, and

(d) it is paid to a charity nominated by the member.

(1B) "Relevant uncrystallised funds" has the meaning given by paragraph 15(2)."

(4) In sub-paragraph (2)—

(a) omit paragraph (b);

(b) in paragraph (d), for "the dependant's alternatively secured pension fund" substitute " the dependant's drawdown pension fund ";

(c) in paragraph (e), omit from "(or, if neither the member" to the end.

(5) In sub-paragraph (4), for the words from "representing" to "pension fund" substitute " representing what is the member's or dependant's drawdown pension fund ".

39 In paragraph 20(1) (trivial commutation lump sum death benefit), omit—

(a) paragraph (a), and

(b) paragraph (c) (but not the "and" after it).

Serious ill-health lump sum charge

40 In Part 4 of FA 2004 (pension schemes etc), after section 205 insert—

"**205A Serious ill-health lump sum charge**

(1) A charge to income tax, to be known as the serious ill-health lump sum charge, arises where a serious ill-health lump sum is paid by a registered pension scheme to a member who has reached the age of 75.

(2) The person liable to the serious ill-health lump sum charge is the scheme administrator.

(3) The scheme administrator is liable to the serious ill-health lump sum charge whether or not—

(a) the scheme administrator, and

(b) the person to whom the serious ill-health lump sum is paid,

are resident, ordinarily resident or domiciled in the United Kingdom.

(4) The rate of the charge is 55% in respect of the lump sum.

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(5) The Treasury may by order increase or decrease the rate for the time being specified in subsection (4).

(6) Tax under this section is to be charged on the amount of the lump sum paid or, if the rules of the pension scheme permit the scheme administrator to deduct the tax before payment, on the amount of the lump sum before deduction of tax.

(7) A serious ill-health lump sum paid to a member who has reached the age of 75 is not to be treated as income for any purpose of the Tax Acts."

Special lump sum death benefits charge

41 (1) In Part 4 of FA 2004, section 206 (special lump sum death benefits charge) is amended as follows.

(2) In subsection (1), for paragraph (c) substitute—

"(c) a drawdown pension fund lump sum death benefit,".

(3) After that subsection insert—

"(1A) The special lump sum death benefits charge also arises where—

(a) a defined benefits lump sum death benefit, or

(b) an uncrystallised funds lump sum death benefit,

is paid by a registered pension scheme in respect of a member who had reached the age of 75 at the date of the member's death."

(4) In subsection (4), for "35%" substitute " 55% ".

(5) For subsection (7) substitute—

"(7) None of the following is to be treated as income for any purpose of the Tax Acts—

(a) any lump sum death benefit mentioned in subsection (1);

(b) a defined benefits lump sum death benefit or uncrystallised funds lump sum death benefit paid in respect of a member who had reached the age of 75 at the date of the member's death."

Exemption from income tax of certain lump sums and lump sum death benefits

42 (1) Section 636A of ITEPA 2003 (exemption for certain lump sums under registered pension schemes) is amended as follows.

(2) In subsection (1)—

(a) in paragraph (b), after "serious ill-health lump sum" insert " paid to a member who has not reached the age of 75 ";

(b) in paragraph (d), after "defined benefits lump sum death benefit" insert " paid in respect of a member who had not reached the age of 75 at the date of the member's death ";

(c) in paragraph (e), after "uncrystallised funds lump sum death benefit" insert " paid in respect of such a member ".

(3) After subsection (3) insert—

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"(3A) A serious ill-health lump sum which is paid under a registered pension scheme to a member who has reached the age of 75 is subject to income tax in accordance with section 205A of FA 2004 (charge to tax on scheme administrator in respect of such a lump sum) but not otherwise."

(4) In subsection (4)—

(a) before paragraph (a) insert—

"(za) a defined benefits lump sum death benefit paid in respect of a member who had reached the age of 75 at the date of the member's death,";

(b) after paragraph (a) insert—

"(aa) an uncrystallised funds lump sum death benefit paid in respect of a member who had reached the age of 75 at the date of the member's death,";

(c) for paragraph (c) substitute—

"(c) a drawdown pension fund lump sum death benefit,".

(5) In subsection (7)—

(a) after " "defined benefits lump sum death benefit"," insert—

""drawdown pension fund lump sum death benefit",";

(b) after " "pension protection lump sum death benefit"," insert " and ";

(c) omit " "unsecured pension fund lump sum death benefit"," (and the "and" before it).

Lifetime allowance charge: benefit crystallisation events

43 In section 216 of FA 2004 (benefit crystallisation events and amounts crystallised), in the table in subsection (1), after the entry for benefit crystallisation event 5A insert—

"5B. The individual reaching the age of 75 when there is a money purchase arrangement relating to the individual under any of the relevant pension schemes	The amount of any remaining unused funds".

44 (1) Schedule 32 to FA 2004 (benefit crystallisation events: supplementary) is amended as follows.

(2) After paragraph 14 insert—

"Benefit crystallisation event 5B: meaning of "remaining unused funds"

14A For the purposes of benefit crystallisation event 5B "remaining unused funds" means—

(a) in relation to a cash balance arrangement, a sum equal to what would, on the valuation assumption in section 277(a), be available for the provision of benefits to or in respect of the member if the member became entitled to them on reaching the age of 75, and

(b) in relation to any other arrangement, such of the sums and assets held for the purposes of the arrangement as are not member-designated

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funds and have not been applied towards the provision of a scheme pension or a dependants' scheme pension."

(3) After paragraph 15 insert—

"Benefit crystallisation event 6: prevention of overlap with other events

15A Benefit crystallisation event 6 does not apply in relation to a pension commencement lump sum paid in respect of a money purchase arrangement if—

(a) the individual becomes entitled to it before reaching the age of 75, but

(b) it is not paid to the individual until after the individual has reached that age."

Annual allowance charge: persons meeting flexible drawdown conditions

45 (1) In section 227 of FA 2004 (annual allowance charge), at the end of subsection (4) insert—

"But see section 227A (individuals who meet flexible drawdown conditions)."

(2) After section 227 insert—

"**227A Individuals who meet flexible drawdown conditions**

(1) This section applies in the case of an individual in relation to whom there is or has been a flexible drawdown arrangement under a pension scheme.

In this section "flexible drawdown arrangement" means an arrangement to which section 165(3A) or 167(2A) applies.

(2) For each tax year following the first tax year in which there was a flexible drawdown arrangement in relation to the individual, section 227 applies to the individual as if the reference in subsection (4) of that section to the amount by which the total pension input amount exceeds the amount of the annual allowance were a reference to the amount in subsection (3) of this section.

(3) The amount referred to in subsection (2) is—

$$\text{TPIA} - \text{RPIA}$$

where—

TPIA is the total pension input amount for the tax year, and

RPIA is so much of the aggregate of the pension input amounts in respect of each defined benefits or cash balance arrangement relating to the individual under any registered pension scheme of which the individual is not an active member as does not exceed the annual allowance.

Status: *Point in time view as at 19/07/2011.*
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(4) For the tax year following the first tax year in which there was a flexible drawdown arrangement in relation to the individual, the reference in subsection (3) to a registered pension scheme of which the individual is not an active member includes, in a case where the individual was an active member of a registered pension scheme at any time during that first tax year but has not been such a member since the relevant time, a reference to that registered pension scheme.

(5) In subsection (4) the "relevant time" is the time at which there first began to be a flexible drawdown arrangement in relation to the individual."

Removal of certain charges to inheritance tax in respect of pension schemes

46 IHTA 1984 is amended as follows.

47 (1) Section 12 (dispositions allowable for income tax or conferring benefits under pension scheme) is amended as follows.

(2) After subsection (2) insert—

"(2ZA) Where a person who is a member of a registered pension scheme, a qualifying non-UK pension scheme or a section 615(3) scheme omits to exercise pension rights under the pension scheme, section 3(3) above does not apply in relation to the omission."

(3) Omit subsections (2A) to (2E).

48 Omit the following provisions—

(a) section 151A(person dying with alternatively secured pension fund);
(b) section 151B(relevant dependant with pension fund inherited from member over 75);
(c) section 151BA(rate or rates of charge under section 151B);
(d) section 151C(dependant dying with other pension fund);
(e) section 151D(unauthorised payment where person dies over 75 with pension or annuity);
(f) section 151E(rate or rates of charge under section 151D).

PART 2

CONSEQUENTIAL AMENDMENTS

Inheritance Tax Act 1984

49 IHTA 1984 is amended as follows.

50 (1) Section 12(dispositions allowable for income tax or conferring benefits under pension scheme) is amended as follows.

(2) In subsection (2F), omit paragraph (b)(and the "and" before it).

(3) In subsection (2G)—

(a) omit the definitions of "lump sum death benefit", "pension death benefit" and "relevant dependant";

Status: *Point in time view as at 19/07/2011.*
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(b) in the definition of "pension", for "that Part" substitute " Part 4 ".

51 In section 151 (treatment of pension rights, etc), in subsection (2), for "Subject to sections 151A and 151C below, an interest" substitute " An interest ".

52 In section 200 (transfer on death)—

(a) in subsection (1), omit "(subject to subsection (1A) below)";

(b) omit subsection (1A).

53 In section 210 (pension rights, etc), omit subsections (2) and (3).

54 (1) Section 216 (delivery of accounts) is amended as follows.

(2) In subsection (1), omit paragraph (bca).

(3) In subsection (3)(a), omit "(or would do apart from section 151A(3)(b) or 151C(3)(b) above)".

(4) In subsection (4), omit "(or would be apart from section 151A(3)(b), 151C(3)(b) or 151B(4) above)".

(5) In subsection (6), omit paragraph (ac).

(6) In subsection (7), for ", 126 or 151D" substitute " or 126 ".

55 In section 226 (payment: general rules), in subsection (4)—

(a) for ", 126, 151B or 151D" substitute " or 126 ";

(b) omit from ", or under section 151A" to "that section,".

56 In section 233 (interest on unpaid tax), in subsection (1)(c)—

(a) for ", 126, 151B or 151D" substitute " or 126 ";

(b) omit from ", or under section 151A" to "that section,".

57 In section 272(general interpretation), omit the definition of "scheme administrator".

Pension Schemes Act 1993

58 Until such time as the repeal of section 28A of the Pension Schemes Act 1993 (requirements for interim arrangements) by paragraph 11 of Schedule 4 to the Pensions Act 2007 has effect for all purposes, subsection (3) of that section has effect with the following amendments—

(a) in paragraph (a)—

(i) for "unsecured pension year" substitute " drawdown pension year ",

(ii) after "twelve months" insert " (disregarding the second sentence of pension rule 5) ", and

(iii) for "where the member has not reached the age of 75," substitute " or ";

(b) in paragraph (c)—

(i) for "unsecured pension year" substitute " drawdown pension year ",

(ii) after "twelve months" insert " (disregarding the second sentence of pension death benefit rule 4) ", and

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(iii) omit "and the member's widow, widower or surviving civil partner has not reached the age of 75, or";

(c) omit paragraphs (b) and (d).

Pension Schemes (Northern Ireland) Act 1993

59 Until such time as the repeal of section 24A of the Pension Schemes (Northern Ireland) Act 1993 (requirements for interim arrangements) by paragraph 11 of Schedule 4 to the Pensions Act (Northern Ireland) 2008 has effect for all purposes, subsection (3) of that section has effect with the following amendments—

(a) in paragraph (a)—

(i) for "unsecured pension year" substitute " drawdown pension year ",

(ii) after "twelve months" insert " (disregarding the second sentence of pension rule 5) ", and

(iii) for "where the member has not reached the age of 75," substitute " or ";

(b) in paragraph (c)—

(i) for "unsecured pension year" substitute " drawdown pension year ",

(ii) after "twelve months" insert " (disregarding the second sentence of pension death benefit rule 4) ", and

(iii) omit "and the member's widow, widower or surviving civil partner has not reached the age of 75, or";

(c) omit paragraphs (b) and (d).

Income Tax (Earnings and Pensions) Act 2003

60 (1) Section 683 of ITEPA 2003 (PAYE income) is amended as follows.

(2) In subsection (3), for "subsections (3A) and (4)" substitute " subsections (3A) and (3B) ".

(3) After subsection (3A) insert—

"(3B) PAYE pension income" for a tax year does not include any taxable pension income which is treated as accruing in that tax year by section 579CA (temporary non-residents)."

61 In Part 2 of Schedule 1 to ITEPA 2003 (index of defined expressions), at the appropriate place insert—

"dependants' income withdrawal (in Chapter 5A of Part 9)	section 579D";
"income withdrawal (in Part 9)	Chapter 5A of section 579D".

Finance Act 2004

62 Part 4 of FA 2004 (pension schemes etc) is amended as follows.

Status: *Point in time view as at 19/07/2011.*
Changes to legislation: *Finance Act 2011, SCHEDULE 16 is up to date with all changes known to be in force on or before 08 July 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)*

63 In section 164 (authorised member payments), in subsection (2)(b), after "the short service refund lump sum charge" insert " , the serious ill-health lump sum charge ".

64 In section 165 (pension rules), in subsection (3)(a), for "unsecured pension" substitute " drawdown pension ".

65 In section 168(1) (lump sum death benefit rule), for paragraph (e) substitute—

"(e) a drawdown pension fund lump sum death benefit,".

66 In section 169 (recognised transfers), in subsection (1D)—

(a) in paragraph (a), for "person's unsecured pension fund or dependant's unsecured pension fund" substitute " member's drawdown pension fund or dependant's drawdown pension fund ";

(b) omit paragraph (b) (and the "or" before it).

67 (1) Section 172B (increase in rights of connected person on death) is amended as follows.

(2) In subsection (2)(b), for "member's unsecured pension fund or dependant's unsecured pension fund" substitute " member's drawdown pension fund or dependant's drawdown pension fund ".

(3) In subsection (7A)—

(a) in paragraph (a), for "dependants' unsecured pension fund or dependants' alternatively secured pension fund" substitute " dependant's drawdown pension fund ";

(b) in paragraph (b), for "dependants' unsecured pension fund" substitute " dependant's drawdown pension fund ".

(4) Omit subsection (8A).

68 Omit section 172BA (increase in rights on death arising from alternatively secured pension fund etc).

69 Omit section 181A (minimum level of payment of alternatively secured pensions).

70 (1) Section 182 (unauthorised borrowing: money purchase arrangements) is amended as follows.

(2) In subsection (3)—

(a) in paragraph (a), for "member's unsecured pension fund or alternatively secured pension fund" substitute " member's drawdown pension fund ";

(b) in paragraph (b), for "dependants' unsecured pension funds or alternatively secured pension funds" substitute "dependants' drawdown pension funds".

(3) In subsection (5), for "unsecured pension fund or alternatively secured pension fund" substitute " drawdown pension fund ".

71 In section 211 (surchargeable unauthorised member payments: valuation of crystallised rights), in subsection (1)(b), for "member's unsecured pension fund or alternatively secured pension fund" substitute " member's drawdown pension fund ".

72 In section 212 (surchargeable unauthorised member payments: valuation of uncrystallised rights), in subsection (2), for "member's unsecured pension fund or alternatively secured pension fund" substitute " member's drawdown pension fund ".

Status: *Point in time view as at 19/07/2011.*
Changes to legislation: *Finance Act 2011, SCHEDULE 16 is up to date with all changes known to be in force on or before 08 July 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)*

73 (1) In section 216 (benefit crystallisation events and amounts crystallised), the table in subsection (1) is amended as follows.

(2) In the entry for benefit crystallisation event 1, for "unsecured pension" substitute " drawdown pension ".

(3) In the entry for benefit crystallisation event 5A—

(a) for "unsecured pension" substitute " drawdown pension ";

(b) for "individual's unsecured pension fund" substitute " individual's drawdown pension fund ".

74 In section 241(1) (scheme chargeable payment), omit paragraph (aa) (and the "and" after it).

75 In section 268 (unauthorised payments surcharge and scheme sanction charge), in subsection (6), omit—

(a) "172BA,", and

(b) "or arises under section 181A".

76 In section 273A (insurance company liable as scheme administrator), in subsection (1), for paragraph (c) substitute—

"(c) a drawdown pension fund lump sum death benefit,".

77 (1) Section 280(2) (general index) is amended as follows.

(2) Omit the entries relating to "dependant's alternatively secured pension fund" and "member's alternatively secured pension fund".

(3) Omit the entries relating to "dependant's unsecured pension fund" and "member's unsecured pension fund" and at the appropriate place insert—

"dependant's drawdown pension fund	paragraph 22 of Schedule 28";
"member's drawdown pension fund	paragraph 8 of Schedule 28".

(4) At the appropriate place insert—

"serious ill-health lump sum charge	section 205A(1)".

(5) Omit the entry relating to "unsecured pension fund lump sum death benefit" and at the appropriate place insert—

"drawdown pension fund lump sum death benefit	paragraph 17 of Schedule 29".

78 In Schedule 28 (pension rules), omit the following provisions—

(a) paragraph 5 (meaning of "alternatively secured pension");

(b) paragraphs 11 to 13 (member's alternatively secured pension fund etc);

(c) paragraph 19 (meaning of "dependants' alternatively secured pension");

(d) paragraphs 25 to 27 (dependant's alternatively secured pension fund etc).

79 (1) Schedule 29 (authorised lump sums) is amended as follows.

(2) In paragraph 1 (pension commencement lump sum), in sub-paragraph (3)(b), omit ", otherwise than by virtue of the operation of paragraph 8(2) of Schedule 28,".

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(3) In paragraph 3 (pension commencement lump sum: calculation of applicable amount)—

(a) in sub-paragraph (1)(a), for "unsecured pension" substitute " drawdown pension ";

(b) in sub-paragraph (5)(a), for "member's unsecured pension fund" substitute " member's drawdown pension fund ";

(c) in sub-paragraph (8)(a), for "member's unsecured pension fund" substitute " member's drawdown pension fund ".

(4) In paragraph 15 (uncrystallised funds lump sum death benefit), in sub-paragraph (2)(b), for "unsecured pension" substitute " drawdown pension ".

80 (1) Schedule 32 (benefit crystallisation events: supplementary) is amended as follows.

(2) In paragraph 3 (benefit crystallisation events 1 and 2: prevention of overlap)—

(a) in sub-paragraph (1), for "unsecured pension fund" substitute " drawdown pension fund ";

(b) in sub-paragraph (2), for "unsecured pension" substitute " drawdown pension ".

(3) In paragraph 4 (benefit crystallisation events 1 and 4: prevention of overlap)—

(a) in sub-paragraph (1), for "unsecured pension fund" substitute " drawdown pension fund ";

(b) in sub-paragraph (2), for "unsecured pension" substitute " drawdown pension ".

(4) In paragraph 5 (benefit crystallisation events 1 and 5: hybrid arrangements), in sub-paragraph (2), omit the words from "(with the effect that" to the end.

(5) In paragraph 17 (benefit crystallisation event 8: prevention of overlap with other events), in sub-paragraph (2)—

(a) for "unsecured pension fund" substitute " drawdown pension fund ";

(b) for "unsecured pension" substitute " drawdown pension ".

81 (1) Schedule 34 (non-UK schemes: application of certain charges) is amended as follows.

(2) In paragraph 1(3) (member payment charges), after paragraph (c) insert—

"(ca) the serious ill-health lump sum charge,".

(3) After paragraph 4 insert—

"4A (1) For the purposes of determining whether a person meets the flexible drawdown conditions in section 165(3A) or 167(2A)—

(a) any reference in paragraph 14A or 24C of Schedule 28 (minimum income requirement) to payments made to or in respect of a member of a registered pension scheme includes a reference to payments made to or in respect of a relieved member or transfer member of a relevant non-UK scheme,

(b) any tax-relieved contributions made under a relevant non-UK scheme by or on behalf of, or in respect of, a member of the scheme are to be treated as if they were relevant contributions paid under a registered pension scheme,

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(c) any tax-exempt provision made under a relevant non-UK scheme in relation to a member of the scheme is to be treated as if it was a relevant contribution paid under a registered pension scheme, and

(d) a person who is an active member of a relevant non-UK scheme is to be treated as if the person were an active member of a registered pension scheme.

(2) In this paragraph—

"relevant contributions" has the meaning given by paragraph 14D or 24F of Schedule 28;

"tax-exempt contributions" and "tax-exempt provision" have the same meaning as in paragraph 3 of this Schedule."

(4) In paragraph 5—

(a) for "Sections 205 and 206" substitute " Sections 205 to 206 ";

(b) after "short service refund lump sum charge" insert " , serious ill-health lump sum charge ".

(5) Omit paragraph 7ZA (unauthorised payment charge: alternatively secured pension etc).

82 (1) Schedule 36 (transitional provisions and savings) is amended as follows.

(2) In paragraph 20 (amount of lifetime allowance available to person who had right to payment of pension on 5 April 2006), for sub-paragraph (4) substitute—

"(4) In the case of drawdown pension, ARP is—

(a) the maximum amount that may be paid in the drawdown pension year in which the time falls in accordance with pension rule 5 (see section 165), or

(b) in the case of an arrangement to which subsection (3A) of section 165 applies, the maximum amount that could have been paid in accordance with that rule in the drawdown pension year in which that subsection first applied to the arrangement if it had not so applied."

(3) In paragraph 28 (lump sum rights for members with enhanced protection), in sub-paragraph (3), for "sub-paragraphs (5) to (7)" substitute " sub-paragraphs (5) to (7A) ".

(4) In paragraph 29 (lump sum rights for members with enhanced protection)—

(a) in sub-paragraph (2), in the text treated as substituted for sub-paragraphs (1) to (3) of paragraph 3 of Schedule 29, for " unsecured pension " (in both places) substitute " drawdown pension ";

(b) in sub-paragraph (3), in the text treated as substituted for sub-paragraphs (5) to (7A) of that paragraph—

(i) for "member's unsecured pension fund" substitute " member's drawdown pension fund ", and

(ii) for the definition of "AC" substitute—

"AC is—

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(a) in a case where the member becomes entitled to the pension before reaching the age of 75, the amount crystallised by reason of the member becoming entitled to the pension, and

(b) in a case where the member becomes entitled to the pension after reaching that age, the amount that would have been so crystallised but for paragraph 2 of Schedule 32."

(5) In paragraph 34 (entitlement to lump sums exceeding 25% of uncrystallised rights), in sub-paragraph (2), in the text treated as substituted for sub-paragraphs (5) to (8) of paragraph 2 of Schedule 29, for the definition of " AC " substitute—

"AC is—

(a) in a case where the member becomes entitled to the pension in connection with which the lump sum is paid before reaching the age of 75, the amount crystallised by reason of the member becoming entitled to the pension, and

(b) in a case where the member becomes entitled to that pension after reaching that age, the amount that would have been so crystallised but for paragraph 2 of Schedule 32,

(but this is subject to sub-paragraphs (7AA) and (7B)), ".

(6) In paragraph 36 (right to payment of lump sum death benefit)—

(a) in sub-paragraph (3)—

(i) after paragraph (a) insert " and ", and

(ii) omit paragraph (c) (and the "and" before it);

(b) omit sub-paragraphs (4) and (8);

(c) in sub-paragraph (9)—

(i) for ", annuity protection lump sum death benefit or unsecured pension fund lump sum death benefit" substitute " or annuity protection lump sum death benefit ", and

(ii) for "sub-paragraphs (3) to (8)" substitute " sub-paragraphs (3) to (7) ";

(d) in sub-paragraph (10)(a), for ", annuity protection lump sum death benefit or unsecured pension fund lump sum death benefit" substitute " or annuity protection lump sum death benefit ";

(e) in sub-paragraph (11), in the definition of "TPLS", for ", annuity protection lump sum death benefit or unsecured pension fund lump sum death benefit" substitute " or annuity protection lump sum death benefit ".

Income Tax Act 2007

83 In section 30(1) of ITA 2007 (additional tax), after the entry relating to section 205 of FA 2004 insert— " section 205A of FA 2004 (pension schemes: the serious ill-health lump sum charge), ".

Consequential repeals

84 In consequence of the amendments made by this Schedule, omit the following provisions—

(a) in Schedule 10 to FA 2005, paragraphs 18(4), 20, 23 and 25(3);

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(b) in FA 2006—
  (i) in Schedule 22, paragraphs 3 to 9, 10(3) and 12, and
  (ii) in Schedule 23, paragraph 29;

(c) in FA 2007—
  (i) in Schedule 19, paragraphs 2(3), 4, 11, 12(2) and (5), 13 to 15, 16(2) to (4) and (6), 18(4), 20 to 26 and 29(2), (4) and (5), and
  (ii) in Schedule 20, paragraphs 11(3) and 13;

(d) in FA 2008—
  (i) in Schedule 4, paragraphs 4 and 9(2),
  (ii) in Schedule 28, paragraphs 6 to 14, and
  (iii) in Schedule 29, paragraph 16;

(e) in F(No.2)A 2010—
  (i) section 6, and
  (ii) Schedule 3.

PART 3

COMMENCEMENT AND TRANSITIONAL PROVISION

General

85 Subject to the provisions of this Part, the amendments made by this Schedule have effect for the tax year 2011-12 and subsequent tax years.

Entitlement to unsecured or alternatively secured pension on 5 April 2011

86 Any person who, immediately before 6 April 2011, was entitled to unsecured pension or alternatively secured pension is to be treated, on and after that date, as entitled to drawdown pension.

87 Paragraph 6 of Schedule 28 to FA 2004 (short-term annuity) has effect on and after 6 April 2011 as if the reference to an annuity purchased by the application of sums or assets representing the whole or any part of the member's drawdown pension fund in respect of an arrangement included a reference to an annuity purchased before that date by the application of sums or assets representing the whole or any part of the member's unsecured pension fund in respect of the arrangement.

Member's unsecured or alternatively secured pension fund existing on 5 April 2011

88 Paragraph 8(1A) of Schedule 28 to FA 2004 (member's drawdown pension fund) has effect on and after 6 April 2011 as if any reference to sums or assets having been designated as available for the payment of drawdown pension included a reference to sums or assets having been designated, before that date, as available for the payment of unsecured pension or alternatively secured pension.

Current unsecured pension year to become drawdown pension year

89 (1) This paragraph applies in the case of a person who, immediately before 6 April 2011, was entitled to unsecured pension.

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(2) Where the last unsecured pension year began on or after 7 April 2010, the reference in paragraph 9(1)(a) of Schedule 28 to FA 2004 (drawdown pension year) to the day on which the member first becomes entitled to drawdown pension is to be read as a reference to the day on which that unsecured pension year began.

(3) Accordingly, any unsecured pension year which began on or after 7 April 2010 is to be regarded, on and after 6 April 2011, as a drawdown pension year.

(4) In this paragraph and paragraphs 90 and 91 "the last unsecured pension year" means the unsecured pension year in which 5 April 2011 fell.

Previous limit on amount of pension payable in year to apply for limited period

90 (1) This paragraph applies in the case of a person who, immediately before 6 April 2011—
- (a) was entitled to unsecured pension, and
- (b) had not reached the age of 75.

(2) Where, immediately before 6 April 2011, the last reference period to begin before that date has not ended—
- (a) pension rule 5 in section 165 of FA 2004 has effect in relation to every drawdown pension year ending on or before the relevant date as if for "100%" there were substituted " 120% ", and
- (b) paragraph 10 of Schedule 28 to FA 2004 has effect with the following modifications—
  - (i) the reference in sub-paragraph (1) to the first drawdown pension year is to be read as a reference to the first drawdown pension year beginning after the relevant date;
  - (ii) any reference in sub-paragraphs (1ZA) to (1C) to a reference period is to be read as including a reference to the current reference period.

(3) The "relevant date" is the earlier of the following—
- (a) the day on which the current reference period ends, and
- (b) if a transfer within sub-paragraph (5) occurs in relation to the person, the day on which the drawdown pension year in which the transfer takes place ends.

(4) Subject to the operation of paragraph 10(1ZA) and (1B) of Schedule 28 to FA 2004, "the current reference period" is the period of 5 years beginning before 6 April 2011 and comprising—
- (a) the drawdown pension year in which that date falls,
- (b) any unsecured pension years which—
  - (i) began after the end of the last reference period ending before that date, and
  - (ii) ended before that date,

  and
- (c) if the sum of the years falling within paragraphs (a) and (b) is less than five, one or more drawdown pension years beginning after that date.

(5) A transfer is within this sub-paragraph if—
- (a) it takes place on or after 6 April 2011, and

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(b) it is a recognised transfer for the purposes of Part 4 of FA 2004 (see section 169 of that Act).

(6) For the purposes of pension rule 5 in section 165 of FA 2004, the amount which, immediately before 6 April 2011, was by virtue of paragraph 10 of Schedule 28 to FA 2004 the basis amount for the last unsecured pension year continues, on and after that date, to be the basis amount for every drawdown pension year ending on or before the relevant date.

This is subject to sub-paragraphs (4)(b) and (5) of that paragraph.

(7) Paragraph 10(4) of Schedule 28 to FA 2004 has effect for drawdown pension years beginning on or after 6 April 2011 and ending on or before the relevant date as it has effect for drawdown pension years falling within any reference period beginning after the relevant date, but as if—

(a) paragraph (a) were omitted,

(b) in paragraph (b), for "otherwise" there were substituted " if there has been a recent annuity, recent additional fund designation or recent pension sharing event ", and

(c) in paragraph 10(9) of that Schedule—

(i) the reference to the reference date were a reference to the day on which the last unsecured pension year began, and

(ii) the reference to the immediately preceding drawdown pension year included, in the case of a drawdown pension year beginning on 6 April 2011, a reference to the last unsecured pension year.

(8) In paragraph 10(7) to (8A) of that Schedule any reference to drawdown pension or the member's drawdown pension fund is to be read as including, in relation to anything occurring before 6 April 2011, a reference to unsecured pension or the member's unsecured pension fund.

91 (1) This paragraph applies in the case of a person who—

(a) reached the age of 75 on or after 22 June 2010 and before 6 April 2011, and

(b) immediately before 6 April 2011, was entitled to unsecured pension.

(2) Where the last unsecured pension year began on or after 7 April 2010—

(a) pension rule 5 in section 165 of FA 2004 has effect in relation to that year as if for "100%" there were substituted " 120% ", and

(b) for the purposes of that pension rule, the amount which, immediately before 6 April 2011, was the basis amount for that year by virtue of paragraph 10 of Schedule 28 to FA 2004 continues, on and after that date, to be the basis amount for that year.

(3) The amendments made by paragraph 9 of this Schedule have effect in relation to drawdown pension years beginning on or after 6 April 2011.

Drawdown pension year and basis amount where person's whereabouts unknown at age 75

92 (1) This paragraph applies in the case of a person who—

(a) reached the age of 75 before 22 June 2010, and

(b) immediately before 6 April 2011, had a member's unsecured pension fund by virtue of paragraph 11(6) and (7) of Schedule 28 to FA 2004 (cases where member's whereabouts are unknown at age 75).

Status: *Point in time view as at 19/07/2011.*
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(2) In a case where—

(a) the scheme administrator was unable to ascertain the person's whereabouts during the relevant period, but

(b) the person's whereabouts are ascertained by the scheme administrator after the end of that period,

the reference in paragraph 9(1)(a) of Schedule 28 to FA 2004 (drawdown pension year) to the day on which the member first becomes entitled to drawdown pension is to be read as a reference to the day on which the person's whereabouts are so ascertained.

(3) The "relevant period" is the period beginning with the person's 75th birthday and ending with 5 April 2011.

(4) In a case where the person's whereabouts have been ascertained by the scheme administrator within the period of 6 months ending on 6 April 2011, the reference in paragraph 9(1)(a) of that Schedule to the day on which the member first becomes entitled to drawdown pension is to be read as a reference to 6 April 2011.

Current alternatively secured pension year to become drawdown pension year

93 (1) This paragraph applies in the case of a person who, immediately before 6 April 2011, was entitled to alternatively secured pension.

(2) Where the last alternatively secured pension year began on or after 7 April 2010, the reference in paragraph 9(1)(a) of Schedule 28 to FA 2004 (drawdown pension year) to the day on which the member first becomes entitled to drawdown pension is to be read as a reference to the day on which that alternatively secured pension year began.

(3) Accordingly, any alternatively secured pension year which began on or after 7 April 2010 is to be regarded, on and after 6 April 2011, as a drawdown pension year.

(4) For the purposes of pension rule 5 in section 165 of FA 2004, the amount which, immediately before 6 April 2011, was the basis amount for that alternatively secured pension year by virtue of paragraph 13 of Schedule 28 to FA 2004 continues, on and after that date, to be the basis amount for that year.

(5) In this paragraph "the last alternatively secured pension year" means the alternatively secured pension year in which 5 April 2011 fell.

Entitlement to dependants' unsecured or alternatively secured pension on 5 April 2011

94 Any person who, immediately before 6 April 2011, was entitled to dependants' unsecured pension or dependants' alternatively secured pension is to be treated, on and after that date, as entitled to dependants' drawdown pension.

95 Paragraph 20 of Schedule 28 to FA 2004 (short-term annuity) has effect on and after 6 April 2011 as if the reference to an annuity purchased by the application of sums or assets representing the whole or any part of the dependant's drawdown pension fund in respect of an arrangement included a reference to an annuity purchased before that date by the application of sums or assets representing the whole or any part of the dependant's unsecured pension fund in respect of the arrangement.

Status: *Point in time view as at 19/07/2011.*
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Dependant's unsecured or alternatively secured pension fund existing on 5 April 2011

96 Paragraph 22(2) of Schedule 28 to FA 2004 (dependant's drawdown pension fund) has effect on and after 6 April 2011 as if any reference to sums or assets having been designated as available for the payment of dependants' drawdown pension included a reference to sums or assets having been designated, before that date, as available for the payment of dependants' unsecured pension or dependants' alternatively secured pension.

Current unsecured pension year to become drawdown pension year

97 (1) This paragraph applies in the case of a person who, immediately before 6 April 2011, was entitled to dependants' unsecured pension.

(2) Where the last unsecured pension year began on or after 7 April 2010, the reference in paragraph 23(1)(a) of Schedule 28 to FA 2004 (drawdown pension year) to the day on which the dependant first becomes entitled to dependants' drawdown pension is to be read as a reference to the day on which that unsecured pension year began.

(3) Accordingly, any unsecured pension year which began on or after 7 April 2010 is to be regarded, on and after 6 April 2011, as a drawdown pension year.

(4) In this paragraph and paragraphs 98 and 99 "the last unsecured pension year" means the unsecured pension year in which 5 April 2011 fell.

Previous limit on amount of pension payable in year to apply for limited period

98 (1) This paragraph applies in the case of a person who, immediately before 6 April 2011—

(a) was entitled to dependants' unsecured pension, and

(b) had not reached the age of 75.

(2) Where, immediately before 6 April 2011, the last reference period to begin before that date has not ended—

(a) pension death benefit rule 4 in section 167 of FA 2004 has effect in relation to every drawdown pension year ending on or before the relevant date as if for "100%" there were substituted " 120% ", and

(b) paragraph 24 of Schedule 28 to FA 2004 has effect with the following modifications—

(i) the reference in sub-paragraph (1) to the first drawdown pension year is to be read as a reference to the first drawdown pension year beginning after the relevant date;

(ii) any reference in sub-paragraphs (1ZA) to (1C) to a reference period is to be read as including a reference to the current reference period.

(3) The "relevant date" is the earlier of the following—

(a) the day on which the current reference period ends, and

(b) if a transfer within sub-paragraph (5) occurs in relation to the person, the day on which the drawdown pension year in which the transfer takes place ends.

(4) Subject to the operation of paragraph 24(1ZA) and (1B) of Schedule 28 to FA 2004, "the current reference period" is the period of 5 years beginning before 6 April 2011 and comprising—

(a) the drawdown pension year in which that date falls,

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(b) any unsecured pension years that—

(i) began after the end of the last reference period ending before that date, and

(ii) ended before that date,

and

(c) if the sum of the years falling within paragraphs (a) and (b) is less than five, one or more drawdown pension years beginning after that date.

(5) A transfer is within this sub-paragraph if—

(a) it takes place on or after 6 April 2011, and

(b) it is a recognised transfer for the purposes of Part 4 of FA 2004 (see section 169 of that Act).

(6) For the purposes of pension death benefit rule 4 in section 167 of FA 2004, the amount which, immediately before 6 April 2011, was by virtue of paragraph 24 of Schedule 28 to FA 2004 the basis amount for the last unsecured pension year continues, on and after that date, to be the basis amount for every drawdown pension year ending on or before the relevant date.

This is subject to sub-paragraphs (4)(b) and (5) of that paragraph.

(7) Paragraph 24(4) of Schedule 28 to FA 2004 has effect for drawdown pension years beginning after 6 April 2011 and ending on or before the relevant date as it has effect for drawdown pension years falling within any reference period beginning after the relevant date, but as if—

(a) paragraph (a) were omitted,

(b) in paragraph (b), for "otherwise" there were substituted " if there has been a recent annuity, recent additional fund designation or recent pension sharing event ", and

(c) in paragraph 24(9) of that Schedule—

(i) the reference to the reference date were a reference to the day on which the last unsecured pension year began, and

(ii) the reference to the immediately preceding drawdown pension year included, in the case of a drawdown pension year beginning on 6 April 2011, a reference to the last unsecured pension year.

(8) In paragraph 24(7) to (8A) of that Schedule any reference to dependants' drawdown pension or the dependant's drawdown pension fund is to be read as including, in relation to anything occurring before 6 April 2011, a reference to dependants' unsecured pension or the dependant's unsecured pension fund.

99 (1) This paragraph applies in the case of a person who—

(a) reached the age of 75 on or after 22 June 2010 and before 6 April 2011, and

(b) immediately before 6 April 2011, was entitled to dependants' unsecured pension.

(2) Where the last unsecured pension year began on or after 7 April 2010—

(a) pension death benefit rule 4 in section 167 of FA 2004 has effect in relation to that year as if for "100%" there were substituted " 120% ", and

(b) for the purposes of that pension death benefit rule, the amount which, immediately before 6 April 2011, was the basis amount for that year by virtue of paragraph 24 of Schedule 28 to FA 2004 continues, on and after that date, to be the basis amount for that year.

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(3) The amendments made by paragraph 19 of this Schedule have effect in relation to drawdown pension years beginning on or after 6 April 2011.

Current alternatively secured pension year to become drawdown pension year

100 (1) This paragraph applies in the case of a person who, immediately before 6 April 2011, was entitled to dependants' alternatively secured pension.

(2) Where the last alternatively secured pension year began on or after 7 April 2010, the reference in paragraph 23(1)(a) of Schedule 28 to FA 2004 (drawdown pension year) to the day on which the dependant first becomes entitled to drawdown pension is to be read as a reference to the day on which that alternatively secured pension year began.

(3) Accordingly, any alternatively secured pension year which began on or after 7 April 2010 is to be regarded, on and after 6 April 2011, as a drawdown pension year.

(4) For the purposes of pension death benefit rule 4 in section 167 of FA 2004, the amount which, immediately before 6 April 2011, was the basis amount for that alternatively secured pension year by virtue of paragraph 27 of Schedule 28 to FA 2004 continues, on and after that date, to be the basis amount for that year.

(5) In this paragraph "the last alternatively secured pension year" means the alternatively secured pension year in which 5 April 2011 fell.

Lump sums and lump sum death benefits

101 The amendments made by paragraphs 24 to 26, 31 and 79(2) and (3) have effect in relation to any lump sum to which a person becomes entitled for the purposes of Part 4 of FA 2004 on or after 6 April 2011.

102 The amendments made by paragraphs 27 to 30, 40, 42(2)(a) and (3), 63, 77(4), 81(2) and (4), 82(3) to (5) and 83 have effect in relation to lump sums paid on or after 6 April 2011.

103 The amendments made by paragraphs 33 to 39, 41, 42(2)(b) and (c), (4) and (5), 65, 67, 68, 75(a), 76, 77(5), 79(4) and 82(6) have effect in relation to deaths occurring on or after 6 April 2011.

Lifetime allowance charge

104 (1) The amendments made by paragraphs 43, 44, 73, 80 and 82(2) have effect in relation to benefit crystallisation events occurring on or after 6 April 2011.

(2) Any reference in a provision within sub-paragraph (3) to an amount previously crystallised on the designation of sums or assets as available for the payment of drawdown pension includes a reference to an amount crystallised before 6 April 2011 on the designation of sums or assets as available for the payment of unsecured pension.

(3) The provisions are—

(a) paragraph 3(2) of Schedule 32 to FA 2004 (benefit crystallisation events 1 and 2: prevention of overlap);

(b) paragraph 4(2) of that Schedule (benefit crystallisation events 1 and 4: prevention of overlap);

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(c) paragraph 17(2) of that Schedule (benefit crystallisation event 8: prevention of overlap with other events).

Inheritance tax

105 The amendments made by paragraphs 47 and 50 have effect in relation to dispositions made (or treated as made) on or after 6 April 2011.

106 The amendments made by paragraphs 48 and 51 to 57 have effect in relation to deaths occurring on or after 6 April 2011.

Consequential repeals

107 Any repeal in paragraph 84 has effect to the same extent as the provision of this Schedule to which the repeal relates.

Power to make retrospective provision in orders and regulations under Part 4 of FA 2004

108 (1) This paragraph applies to any order or regulations under Part 4 of FA 2004 which—

(a) are made in the tax year beginning on 6 April 2011, and

(b) are made in consequence of, or for the purposes of, or for giving full effect to, the amendments of that Part made by this Schedule.

(2) Section 282 of that Act (orders and regulations) has effect in relation to any order or regulations to which this paragraph applies as if in subsection (A1) the words "if that provision does not increase any person's liability to tax" were omitted.

Application of rules of pension schemes

109 (1) The trustees or managers of a registered pension scheme may make any payment under the scheme which, by virtue of the amendments made by this Schedule, is an authorised member payment (within the meaning of section 164 of FA 2004), despite any provision of the rules of the pension scheme (however framed) prohibiting the making of such a payment.

(2) In the case of a personal pension scheme within the meaning of section 1 of the Pension Schemes Act 1993, nothing in subsection (1) of section 28 of that Act (ways of giving effect to protected rights) is to be taken to prevent the trustees or managers of the scheme from giving effect to the protected rights of a member of the scheme in the way provided for by subsection (1A) of that section.

(3) In the case of a personal pension scheme within the meaning of section 1 of the Pension Schemes (Northern Ireland) Act 1993, nothing in subsection (1) of section 24 of that Act (ways of giving effect to protected rights) is to be taken to prevent the trustees or managers of the scheme from giving effect to the protected rights of a member of the scheme in the way provided for by subsection (1A) of that section.

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