SCHEDULES

SCHEDULE 22

TRANSITIONAL PROVISION RELATING TO REDUCTION IN STANDARD LIFETIME ALLOWANCE ETC

PART 1

"FIXED PROTECTION 2014"

1 (1) This paragraph applies on or after 6 April 2014 in the case of an individual—

(a) who, on that date, has one or more arrangements under—

(i) a registered pension scheme, or

(ii) a relieved non-UK pension scheme of which the individual is a relieved member,

(b) in relation to whom paragraph 7 of Schedule 36 to FA 2004 (primary protection) does not make provision for a lifetime allowance enhancement factor,

(c) in relation to whom paragraph 12 of that Schedule (enhanced protection) does not apply on that date, and

(d) in whose case paragraph 14 of Schedule 18 to FA 2011 (transitional provision relating to new standard lifetime allowance for the tax year 2012-13) does not apply on that date,

if notice of intention to rely on it is given to an officer of Revenue and Customs.

(2) Part 4 of FA 2004 has effect in relation to the individual as if the standard lifetime allowance were the greater of the standard lifetime allowance and £1,500,000.

(3) But this paragraph ceases to apply if **[**[F1]the notice under sub-paragraph (1) is given on or after 15 March 2023 and,**]** on or after 6 April 2014—

(a) there is benefit accrual in relation to the individual under an arrangement under a registered pension scheme,

(b) there is an impermissible transfer into any arrangement under a registered pension scheme relating to the individual,

(c) a transfer of sums or assets held for the purposes of, or representing accrued rights under, any such arrangement is made that is not a permitted transfer, or

(d) an arrangement relating to the individual is made under a registered pension scheme otherwise than in permitted circumstances.

(4) For the purposes of sub-paragraph (3)(a) there is benefit accrual in relation to the individual under an arrangement—

(a) in the case of a money purchase arrangement that is not a cash balance arrangement, if a relevant contribution is paid under the arrangement on or after 6 April 2014,

(b) in the case of a cash balance arrangement or a defined benefits arrangement, if there is an increase in the value of the individual's rights under the arrangement at any time on or after that date (but subject to sub-paragraph (11)), and

(c) in the case of a hybrid arrangement—

(i) where the benefits that may be provided to or in respect of the individual under the arrangement include money purchase benefits other than cash balance benefits, if a relevant contribution is paid under the arrangement on or after 6 April 2014, and

(ii) in any case, if there is an increase in the value of the individual's rights under the arrangement at any time on or after that date (but subject to sub-paragraph (11)).

(5) For the purposes of sub-paragraphs (4)(b) and (c)(ii) and (11) whether there is an increase in the value of the individual's rights under the arrangement (and its amount if there is) is to be determined—

(a) in the case of a cash balance arrangement (or a hybrid arrangement under which cash balance benefits may be provided to or in respect of the individual under the arrangement), by reference to whether there is an increase in the amount that would, on the valuation assumptions, be available for the provision of benefits to or in respect of the member (and, if there is, the amount of the increase), and

(b) in the case of a defined benefits arrangement (or a hybrid arrangement under which defined benefits may be provided to or in respect of the individual under the arrangement), by reference to whether there is an increase in the benefits amount.

(6) For the purposes of sub-paragraph (5)(b) “the benefits amount” is—

$$(P \times \mathrm{RVF}) + \mathrm{LS}$$

where—

LS is the lump sum to which the individual would, on the valuation assumptions, be entitled under the arrangement (otherwise than by commutation of pension);

P is the annual rate of the pension which would, on the valuation assumptions, be payable to the individual under the arrangement;

RVF is the relevant valuation factor.

(7) Paragraph 17A of Schedule 36 to FA 2004 (impermissible transfers) applies for the purposes of sub-paragraph (3)(b) but as if the references to a relevant existing arrangement were to the arrangement and the reference in sub-paragraph (2) to 5 April 2006 were to 5 April 2014.

(8) Sub-paragraphs (7) to (8B) of paragraph 12 of Schedule 36 to FA 2004 (when there is a permitted transfer) apply for the purposes of sub-paragraph (3)(c); and where there is a permitted transfer—

(a) if it is a permitted transfer by virtue of sub-paragraph (8)(a) of paragraph 12, this paragraph applies in relation to the arrangement to which the transfer is made,

(b) if it is a permitted transfer by virtue of sub-paragraph (8)(b) of that paragraph, this paragraph applies in relation to the arrangement to which the transfer is made as if it were the same as that from which it is made, and

(c) if it is a permitted transfer by virtue of sub-paragraph (8)(c) of that paragraph, this paragraph applies in relation to the arrangement to which the transfer is made as if it were the same as that from which it is made and (if the employment is transferred) as if the employment with the transferee were the employment with the transferor.

(9) Sub-paragraphs (2A) to (2C) of paragraph 12 of Schedule 36 to FA 2004 ("permitted circumstances") apply for the purposes of sub-paragraph (3)(d).

(10) Paragraph 14 of Schedule 36 to FA 2004 (when a relevant contribution is paid under an arrangement) applies for the purposes of sub-paragraph (4)(a) and (c)(i).

(11) Increases in the value of the individual's rights under an arrangement are to be ignored for the purposes of sub-paragraph (4)(b) or (c)(ii) if in no tax year do they exceed the relevant percentage.

(12) The relevant percentage, in relation to a tax year, means—

(a) where the arrangement (or a predecessor arrangement) includes provision for the value of the rights of the individual to increase during the tax year at an annual rate specified in the rules of the pension scheme (or a predecessor registered pension scheme) on 11 December 2012—

(i) that percentage (or, where more than one arrangement includes such provision, the higher or highest of the percentages specified), plus

(ii) the relevant statutory increase percentage;

(b) otherwise—

(i) the percentage by which the consumer prices index for the month of September in the previous tax year is higher than it was for the September before that (or nil per cent if it is not higher), or

(ii) if higher, the relevant statutory increase percentage.

(13) In sub-paragraph (12)(a)—

"predecessor arrangement", in relation to an arrangement, means another arrangement (under the same or another registered pension scheme) from which some or all of the sums or assets held for the purposes of the arrangement directly or indirectly derive;

"predecessor registered pension scheme", in relation to a pension scheme, means another registered pension scheme from which some or all of the sums or assets held for the purposes of the arrangement under the pension scheme directly or indirectly derive.

(14) In sub-paragraph (12) "the relevant statutory increase percentage", in relation to a tax year, means the percentage increase in the value of the individual's rights under the arrangement during the tax year so far as it is attributable solely to one or more of the following—

(a) an increase in accordance with section 15 of the Pension Schemes Act 1993 or section 11 of the Pension Schemes (Northern Ireland) Act 1993 (increase of guaranteed minimum where commencement of guaranteed minimum pension postponed);

(b) a revaluation in accordance with section 16 of the Pension Schemes Act 1993 or section 12 of the Pension Schemes (Northern Ireland) Act 1993 (early leavers: revaluation of earnings factors);

(c) a revaluation in accordance with Chapter 2 of Part 4 of the Pension Schemes Act 1993 or the Pension Schemes (Northern Ireland) Act 1993 (early leavers: revaluation of accrued benefits);

(d) a revaluation in accordance with Chapter 3 of Part 4 of the Pension Schemes Act 1993 or the Pension Schemes (Northern Ireland) Act 1993 (early leavers: protection of increases in guaranteed minimum pensions);

(e) the application of section 67 of the Equality Act 2010 (sex equality rule for occupational pension schemes).

(15) Sub-paragraph (16) applies in relation to a tax year if—

(a) the arrangement is a defined benefits arrangement which is under an annuity contract treated as a registered pension scheme under section 153(8) of FA 2004,

(b) the contract provides for the value of the rights of the individual to be increased during the tax year at an annual rate specified in the contract, and

(c) the contract limits the annual rate to the percentage increase in the retail prices index over a 12 month period specified in the contract.

(16) Sub-paragraph (12)(b)(i) applies as if it referred instead to the annual rate of the increase in the value of the rights during the tax year.

(17) For the purposes of sub-paragraph (15)(c) the 12 month period must end during the 12 month period preceding the month in which the increase in the value of the rights occurs.

(18) Subject to sub-paragraphs (19) to (21), sub-paragraph (3) applies in relation to an individual who is a relieved member of a relieved non-UK pension scheme as if the relieved non-UK pension scheme were a registered pension scheme; and the other sub-paragraphs of this paragraph apply accordingly.

(19) Sub-paragraphs (20) and (21) apply for the purposes of sub-paragraph (3)(a)(instead of sub-paragraph (4)) in determining if there is benefit accrual in relation to an individual under an arrangement under a relieved non-UK pension scheme of which the individual is a relieved member.

(20) There is benefit accrual in relation to the individual under the arrangement if there is a pension input amount under sections 230 to 237 of FA 2004 (as applied by Schedule 34 to that Act) greater than nil in respect of the arrangement for a tax year; and, in such a case, the benefit accrual is treated as occurring at the end of the tax year.

(21) There is also benefit accrual in relation to the individual under the arrangement if—

(a) in a tax year there occurs a benefit crystallisation event in relation to the individual (whether in relation to the arrangement or to any other arrangement under any pension scheme or otherwise), and

(b) had the tax year ended immediately before the benefit crystallisation event, there would have been a pension input amount under sections 230 to 237 of FA 2004 greater than nil in respect of the arrangement for the tax year,

and, in such a case, the benefit accrual is treated as occurring immediately before the benefit crystallisation event.

(22) Expressions used in this paragraph and Part 4 of FA 2004 (pension schemes) have the same meaning in this paragraph as in that Part.

(23) In particular, references to a relieved non-UK pension scheme or a relieved member of such a scheme are to be read in accordance with paragraphs 13(3) and (4) and 18 of Schedule 34 to FA 2004 (application of lifetime allowance charge provisions to members of overseas pension schemes).

Textual Amendments

F1 Words in Sch. 22 para. 1(3) inserted (for the tax year 2023-24 and subsequent tax years) by Finance (No. 2) Act 2023 (c. 30), **s. 23(6)(8)**

Changes to legislation:
Finance Act 2013, Paragraph 1 is up to date with all changes known to be in force on or before 04 April 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.
View outstanding changes

Changes and effects yet to be applied to the whole Act associated Parts and Chapters:
Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- Sch. 43C para. 8(5)(e) and word inserted by 2021 c. 26 Sch. 27 para. 42(b)(ii)
- Sch. 43C para. 8(6)(a)(iv) and word inserted by 2021 c. 26 Sch. 27 para. 42(c)(i)(b)
- Sch. 43C para. 8(6)(b)(iv) and word inserted by 2021 c. 26 Sch. 27 para. 42(c)(ii)(b)
- Sch. 43C para. 8(6)(c)(iv) and word inserted by 2021 c. 26 Sch. 27 para. 42(c)(iii)(b)
- Sch. 43C para. 8(6)(d)(iv) words substituted by 2021 c. 26 Sch. 27 para. 42(c)(iv)(b)