

## SCHEDULES

### SCHEDULE 1

#### PENSION FLEXIBILITY ETC

#### PART 3

##### PENSION PAYMENTS OUT OF UNCRYSTALLISED FUNDS

###### *Definitions etc*

- 53 Part 4 of FA 2004 is amended as follows.
- 54 In section 166(1) (lump sums which may be paid by registered pension scheme) in the lump sum rule after paragraph (b) insert—  
“(ba) an uncrystallised funds pension lump sum,”.
- 55 In section 166(2) (when a person becomes entitled to a lump sum under a registered pension scheme) before the “and” at the end of paragraph (a) insert—  
“(aa) in the case of an uncrystallised funds pension lump sum, immediately before it is paid,”.
- 56 In section 280(2) (index of defined expressions) after the entry for “uncrystallised funds lump sum death benefit” insert—  
“uncrystallised funds pension lump sum paragraph 4A of Schedule 29”
- 57 In Schedule 29 (supplementary provision about authorised lump sums) after paragraph 4 insert—

###### *“Uncrystallised funds pension lump sum*

- 4A (1) For the purposes of this Part a lump sum is an uncrystallised funds pension lump sum if—
- (a) it is paid on or after 6 April 2015 in respect of a money purchase arrangement,
  - (b) it is paid when all or part of the member’s lifetime allowance is available,
  - (c) it is paid when the member has reached normal minimum pension age (or the ill-health condition is met),
  - (d) it is not a pension commencement lump sum,
  - (e) it is not a lump sum that, for the purposes of Part 9 of ITEPA 2003 (pension income), is treated by regulations under section 164(1)(f) and (2) as a trivial commutation lump sum paid to the member,

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- (f) immediately before the member becomes entitled to it, the sums or assets that are to be used to provide it—
    - (i) represent rights of the member under the scheme that are uncrystallised rights as defined by section 212(1) and (2), but
    - (ii) do not to any extent represent rights attributable to a disqualifying pension credit, and
  - (g) none of sub-paragraphs (3) to (5) applies to the member.
- (2) But if a lump sum falling within sub-paragraph (1)—
- (a) is paid when the member has not reached the age of 75, and
  - (b) exceeds the member’s available lifetime allowance,
- the excess is not an uncrystallised funds pension lump sum.
- (3) This sub-paragraph applies to the member if—
- (a) paragraph 12 of Schedule 36 applies to the member (enhanced protection from 6 April 2006) immediately before the sum is paid, and
  - (b) the lump sum condition (see paragraphs 24(2) and (3), 25 and 26 of Schedule 36) is met in relation to the member.
- (4) This sub-paragraph applies to the member if—
- (a) paragraph 7 of Schedule 36 makes provision for the operation of a lifetime allowance enhancement factor in relation to the member immediately before the sum is paid, and
  - (b) the lump sum condition (see paragraphs 24(2) and (3), 25 and 26 of Schedule 36) is met in relation to the member.
- (5) This sub-paragraph applies to the member if—
- (a) any of the provisions listed in sub-paragraph (6) makes provision for the operation of a lifetime allowance enhancement factor in relation to the member immediately before the sum is paid, and
  - (b) immediately before the sum is paid, the available portion of the member’s lump sum allowance for the purposes of paragraph 2 of Schedule 29 is nil or less than 25% of the sum.
- (6) The listed provisions are—
- (a) paragraph 7 of Schedule 36 (primary protection);
  - (b) section 220 (pension credits from previously crystallised rights);
  - (c) section 221 (non-residence arrangements);
  - (d) section 224 (transfers from recognised overseas pensions schemes);
  - (e) paragraph 18 of Schedule 36 (pre-commencement pension credits).
- (7) In sub-paragraph (1)(f) “disqualifying pension credit” is to be read in accordance with paragraph 2(3) and (4).”

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- 59 In paragraph 12(4) of Schedule 29 (exceptions to treating the whole of the lump sum as paid when all or part of the member’s lifetime allowance is available) before the “and” at the end of paragraph (a) insert—
- “(aa) in the case of a lump sum that would satisfy all the requirements of paragraph 4A(1) and is paid when the member has not reached the age of 75, to so much of it as would be prevented from being an uncrystallised funds pension lump sum by paragraph 4A(2),”.
- 60 In paragraph 12(5) of Schedule 29 (when an excess can be an authorised lump sum) after “1(2),” insert “4A(2),”.
- 61 In paragraph 15 of Schedule 32 (benefit crystallisation event 6: meaning of “relevant lump sum”) before the “or” at the end of paragraph (b) insert—
- “(ba) an uncrystallised funds pension lump sum,”.

*Related amendments in Part 9 of ITEPA 2003*

- 62 (1) Section 636A of ITEPA 2003 (taxation of pension lump sums) is amended as follows.
- (2) After subsection (1) insert—
- “(1A) In the case of an uncrystallised funds pension lump sum paid under a registered pension scheme when the member has not reached the age of 75—
- (a) no liability to income tax arises on 25% of the sum, and
- (b) section 579A applies in relation to the other 75% of the sum as it applies to any pension under a registered pension scheme.
- (1B) In the case of an uncrystallised funds pension lump sum paid under a registered pension scheme when the member has reached the age of 75—
- (a) if the member’s available lifetime allowance when the sum is paid is equal to or greater than the sum—
- (i) no liability to income tax arises on 25% of the sum, and
- (ii) section 579A applies in relation to the other 75% of the sum as it applies to any pension under a registered pension scheme, and
- (b) if the member’s available lifetime allowance when the sum is paid is less than the sum—
- (i) no liability to income tax arises on the part of the sum that is equal to 25% of the member’s available lifetime allowance when the sum is paid, and
- (ii) section 579A applies in relation to the rest of the sum as it applies in relation to any pension under a registered pension scheme.
- (1C) For the purposes of subsection (1B), the amount of the member’s available lifetime allowance when the sum is paid is what it is for the purposes of Part 4 of FA 2004 (see section 219 of FA 2004), but adjusted in accordance with the rules in paragraphs (a) and (b) of paragraph 12(1A) of Schedule 29 to FA 2004.”
- (3) In subsection (2) (subsection (1) does not limit operation of lifetime allowance charge) for “subsection (1) does” substitute “subsections (1) to (1B) do”.
- (4) In subsection (6) (definitions) after ““serious ill health lump sum”,” insert—

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““uncrystallised funds pension lump sum”,”.