

## SCHEDULES

### SCHEDULE 4

#### PENSION FLEXIBILITY: ANNUITIES ETC

##### PART 1

##### DEATH BENEFITS FOR NOMINEES, SUCCESSORS AND DEPENDANTS

###### *Introductory*

- 1 Part 4 of FA 2004 is amended as follows.

###### *Nominees' annuities and successors' annuities to be authorised payments*

- 2 (1) Section 167(1) (the pension death benefit rules) is amended as follows.
- (2) In pension death benefit rule 3A (payments that may, by way of exception, be made to a nominee) after “other than” insert “a nominees’ annuity in respect of a money purchase arrangement or”.
- (3) In pension death benefit rule 3B (payments that may, by way of exception, be made to a successor) after “other than” insert “a successors’ annuity in respect of a money purchase arrangement or”.

###### *Nominees' annuities and successors' annuities: definitions*

- 3 (1) Part 2 of Schedule 28 (interpretation of the pension death benefit rules) is amended as follows.
- (2) After paragraph 27A insert—

###### *“Nominees’ annuity*

27AA (1) For the purposes of this Part an annuity payable to a nominee is a nominees’ annuity if—

- (a) either—
- (i) it is purchased together with a lifetime annuity payable to the member and the member becomes entitled to that lifetime annuity on or after 6 April 2015, or
- (ii) it is purchased after the member’s death, the member dies on or after 3 December 2014 and the nominee becomes entitled to the annuity on or after 6 April 2015,
- (b) it is payable by an insurance company, and
- (c) it is payable until the nominee’s death or until the earliest of the nominee’s marrying, entering into a civil partnership or dying.

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- (2) For the purposes of sub-paragraph (1)(a) a nominees' annuity is purchased together with a lifetime annuity if the nominees' annuity is related to the lifetime annuity.
  - (3) The Commissioners for Her Majesty's Revenue and Customs may by regulations make provision in relation to cases in which a nominees' annuity payable to a person ("the original nominees' annuity") ceases to be payable and in consequence of that—
    - (a) sums or assets (or both) are transferred from the insurance company to another insurance company and are applied—
      - (i) towards the provision of another nominees' annuity (a "new nominees' annuity") by the other insurance company, or
      - (ii) otherwise, or
    - (b) sums or assets are transferred to the relevant registered pension scheme.
  - (4) The regulations may provide that—
    - (a) in a case where a new nominees' annuity becomes payable, the new nominees' annuity is to be treated, to such extent as is prescribed by the regulations and for such of the purposes of this Part as are so prescribed, as if it were the original nominees' annuity, and
    - (b) in any other case, the relevant registered pension scheme is to be treated as making an unauthorised payment in respect of the member of an amount equal to the aggregate of the sums, and the market value of the assets, transferred.
  - (5) For the purposes of sub-paragraphs (3) and (4) a registered pension scheme is the relevant registered pension scheme if the original nominees' annuity was acquired using sums or assets held for the purposes of the pension scheme."
- (3) After paragraph 27F insert—

*"Successors' annuity*

- 27FA (1) For the purposes of this Part an annuity payable to a successor is a successors' annuity if—
- (a) the successor becomes entitled to it on or after 6 April 2015,
  - (b) it is payable by an insurance company,
  - (c) it is payable until the successor's death or until the earliest of the successor's marrying, entering into a civil partnership or dying,
  - (d) it is purchased after the death of a dependant, nominee or successor of the member ("the beneficiary"),
  - (e) it is purchased using undrawn funds, and
  - (f) the beneficiary dies on or after 3 December 2014.
- (2) For the purposes of sub-paragraph (1)(e), sums or assets held for the purposes of an arrangement after the beneficiary's death are undrawn funds if—

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- (a) immediately before the beneficiary's death, they were held for the purposes of the arrangement and, as the case may be, represented (alone or with other sums or assets) the beneficiary's—
    - (i) dependant's flexi-access drawdown fund,
    - (ii) dependant's drawdown pension fund,
    - (iii) nominee's flexi-access drawdown fund, or
    - (iv) successor's flexi-access drawdown fund,in respect of the arrangement, or
  - (b) they arise, or (directly or indirectly) derive, from undrawn funds under paragraph (a) or from sums or assets which so arise or derive.
- (3) The Commissioners for Her Majesty's Revenue and Customs may by regulations make provision in relation to cases in which a successors' annuity payable to a person ("the original successors' annuity") ceases to be payable and in consequence of that—
  - (a) sums or assets (or both) are transferred from the insurance company to another insurance company and are applied—
    - (i) towards the provision of another successors' annuity (a "new successors' annuity") by the other insurance company, or
    - (ii) otherwise, or
  - (b) sums or assets are transferred to the relevant registered pension scheme.
- (4) The regulations may provide that—
  - (a) in a case where a new successors' annuity becomes payable, the new successors' annuity is to be treated, to such extent as is prescribed by the regulations and for such of the purposes of this Part as are so prescribed, as if it were the original successors' annuity, and
  - (b) in any other case, the relevant registered pension scheme is to be treated as making an unauthorised payment in respect of the member of an amount equal to the aggregate of the sums, and the market value of the assets, transferred.
- (5) For the purposes of sub-paragraphs (3) and (4) a registered pension scheme is the relevant registered pension scheme if the original successors' annuity was acquired using sums or assets held for the purposes of the pension scheme."
- (4) Regulations made before 25 December 2015 under the paragraph 27AA or 27FA inserted by this paragraph may, for cases where the transfer concerned takes place on or after 6 April 2015, include provision having effect in relation to times before the regulations are made.

*Dependants' and nominees' annuities: testing against deceased member's lifetime allowance*

- 4      (1) In section 216(1) (benefit crystallisation events and amounts crystallised) the table is amended as follows.

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- (2) In the second column of the entry relating to benefit crystallisation event 4, after “any related dependants’ annuity” insert “and any related nominees’ annuity”.
- (3) After the entry relating to benefit crystallisation event 5C insert—
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| <p>“5D. A person becoming entitled, on or after 6 April 2015 but before the end of the relevant two-year period, to a dependants’ annuity or nominees’ annuity in respect of the individual if—</p> <ul style="list-style-type: none"> <li>(a) the annuity is purchased using (whether or not exclusively) relevant unused uncrystallised funds, and</li> <li>(b) the individual died on or after 3 December 2014</li> </ul> | <p>The aggregate of—</p> <ul style="list-style-type: none"> <li>(a) the amount of such of the sums, and</li> <li>(b) the market value of such of the assets,</li> </ul> <p>applied to purchase the annuity as are relevant unused uncrystallised funds”</p> |
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- 5 (1) Section 217 (persons liable to lifetime allowance charge) is amended as follows.
- (2) In subsection (2A) (cases where dependant or nominee liable) after “event 5C,” insert “or by reason of a person becoming entitled to an annuity as mentioned in the description of benefit crystallisation event 5D,”.
- (3) In subsection (4A) (events 5C and 7 are “relevant post-death” events) after “benefit crystallisation event 5C” insert “, 5D”.
- 6 In section 219(7A) (events 5C and 7 are “relevant post-death” events) after “benefit crystallisation event 5C” insert “, 5D”.
- 7 In Schedule 32 (supplementary provisions about benefit crystallisation events)—
- (a) in paragraph 1 (meaning of “the relevant pension schemes”: in certain cases means schemes of which the individual was a member immediately before death) after “5C” insert “or 5D”,
  - (b) in paragraph 4(1) (further provision about benefit crystallisation event 4) for the words from “if” to “purchased” substitute “if—
    - (a) the lifetime annuity or a related dependants’ annuity or a related nominees’ annuity is, or
    - (b) the lifetime annuity and a related dependants’ annuity are, or
    - (c) the lifetime annuity and a related nominees’ annuity are, or
    - (d) a related dependants’ annuity and a related nominees’ annuity are, or
    - (e) the lifetime annuity and a related dependants’ annuity and a related nominees’ annuity are,

purchased”,
  - (c) in paragraph 14B (event 5C: meaning of “relevant two-year period”), and in the italic heading before that paragraph, for “event 5C” substitute “events 5C and 5D”, and
  - (d) in paragraph 14C(1) (event 5C: meaning of “relevant unused uncrystallised funds”), and in the italic heading before paragraph 14C, for “event 5C” substitute “events 5C and 5D”.

*Minor and consequential amendments*

- 8 In section 172(6A)(b) (“benefit” in section 172 includes rights to payments under certain annuities) after “lifetime annuity or dependants’ annuity” insert “, or nominees’ annuity or successors’ annuity,”.
- 9 (1) Section 172A (surrenders of benefits and rights) is amended as follows.
  - (2) In subsection (1)(aa) (surrender of rights to payments under certain annuities triggers operation of subsection (2)) after “lifetime annuity or dependants’ annuity” insert “, or nominees’ annuity or successors’ annuity,”.
  - (3) In subsection (9A)(b) (references to benefits include references to rights to payments under certain annuities) after “lifetime annuity or dependants’ annuity” insert “, or nominees’ annuity or successors’ annuity,”.
- 10 (1) Section 172B (increase of rights of connected person on death) is amended as follows.
  - (2) In subsection (2)(aa) (relevant member includes person who has rights to payments under certain annuities) after “lifetime annuity or dependants’ annuity” insert “, or nominees’ annuity or successors’ annuity,”.
  - (3) In subsection (7A) (section does not apply to certain increases in rights) after “dependants’ annuity”, in both places, insert “, nominees’ annuity, successors’ annuity”.
  - (4) In subsection (7B)(b) (“benefit” in section 172B includes rights to payments under certain annuities) after “lifetime annuity or dependants’ annuity” insert “, or nominees’ annuity or successors’ annuity,”.
- 11 In section 273B(1) (power of trustees or managers to make certain payments) after paragraph (f) insert—
  - “(fa) paid to purchase a nominees’ annuity,
  - (fb) paid to purchase a successors’ annuity,”.
- 12 In section 280(2) (index of defined expressions) at the appropriate places insert—

“nominees’ annuity	paragraph 27AA of Schedule 28”
“related nominees’ annuity	paragraph 3(4B) of Schedule 29”
“successors’ annuity	paragraph 27FA of Schedule 28”
- 13 (1) Schedule 28 (interpretation of the pension rules and the pension death benefit rules) is amended as follows.
  - (2) In paragraph 3(2B)(a) (power to make regulations about cases where lifetime annuity ceases to be payable by insurance company) after “dependants’ annuity” insert “, nominees’ annuity”.
  - (3) In paragraph 6(1B)(a) (power to make regulations about cases where short-term annuity ceases to be payable by insurance company) after “dependants’ annuity” insert “, nominees’ annuity”.
  - (4) In paragraph 27E(3) (meaning of “unused drawdown funds”)—

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- (a) in paragraph (b), for “derive.” substitute “derive,”, and
- (b) after paragraph (b) (but not as part of it) insert—

“and since the member’s death they have not been designated as available for the payment of dependants’ drawdown pension, not been designated as available for the payment of nominees’ drawdown pension, not been applied towards the provision of a dependants’ annuity, not been applied towards the provision of a nominees’ annuity and not been applied towards the provision of a dependants’ scheme pension.”

- (5) In paragraph 27E(4)(b) and (5) (meaning of “unused uncrystallised funds”) after “not been applied towards the provision of a dependants’ annuity” insert “, not been applied towards the provision of a nominees’ annuity”.
  - (6) In paragraph 27K(3) (meaning of “unused drawdown funds of the beneficiary’s”)—
    - (a) in paragraph (b) for “derive.” substitute “derive,”, and
    - (b) after paragraph (b) (but not as part of it) insert—
 

“and since the beneficiary’s death they have not been designated as available for the payment of successors’ drawdown pension and not been applied towards the provision of a successors’ annuity.”
- 14 (1) Paragraph 3 of Schedule 29 (interpretation of the lump sum rule: meaning of “the applicable amount”) is amended as follows.
- (2) In sub-paragraph (4) (amount applied to purchase certain annuities) after “any related dependants’ annuity” insert “and any related nominees’ annuity”.
  - (3) After sub-paragraph (4A) (when a dependants’ annuity is related to a lifetime annuity) insert—
 

“(4B) For the purposes of this Part a nominees’ annuity is related to a lifetime annuity payable to a member of a registered pension scheme—

    - (a) if they are purchased either in the form of a joint life annuity or separately in circumstances in which the day on which the one is purchased is no earlier than seven days before, and no later than seven days after, the day on which the other is purchased, and
    - (b) the nominees’ annuity will be payable to a nominee of the member.”
  - (4) In sub-paragraph (5) (deductions in calculating applicable amount) after “any related dependants’ annuity”, in both places, insert “or any related nominees’ annuity”.
- 15 In paragraph 15(2)(a) of Schedule 29 (uncrystallised funds lump sum death benefit is sum paid in respect of funds not spent on certain annuities and other pensions) after “lifetime annuity,” insert “a nominees’ annuity,”.

### *Consequential repeal*

- 16 In consequence of paragraph 7(b) of this Schedule, omit paragraph 32 of Schedule 10 to FA 2005.