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## SCHEDULES

### SCHEDULE 4

#### PENSIONS: LIFETIME ALLOWANCE: TRANSITIONAL PROVISION

##### PART 1

###### “FIXED PROTECTION 2016”

*Protection-cessation events: interpretation: “benefit accrual”*

- 4 (1) For the purposes of 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 2016,
  - (b) in the case of a cash balance arrangement or 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 (5)), 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 2016, 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 (5)).
- (2) For the purposes of sub-paragraphs (1)(b) and (c)(ii) and (5) whether there is an increase in the value of the individual's rights under an 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 individual (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.
- (3) For the purposes of sub-paragraph (2)(b) “the benefits amount” is—

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$$(P \times RVF) + LS$$

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, and

RVF is the relevant valuation factor.

- (4) Paragraph 14 of Schedule 36 to FA 2004 (when a relevant contribution is paid under an arrangement) applies for the purposes of sub-paragraph (1)(a) and (c)(i).
- (5) Increases in the value of the individual's rights under an arrangement are to be ignored for the purposes of sub-paragraph (1)(b) or (c)(ii) if in no tax year do they exceed the relevant percentage.
- (6) 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 9 December 2015—
    - (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 0% if it is not higher), or
    - (ii) if higher, the relevant statutory increase percentage.
- (7) In sub-paragraph (6)(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 registered 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.
- (8) In sub-paragraph (6) “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);

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- (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).
- (9) Sub-paragraph (10) 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.
- (10) Sub-paragraph (6)(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.
- (11) For the purposes of sub-paragraph (9)(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.

**Modifications etc. (not altering text)**

**C1** Sch. 4 para. 4(1)(b) modified (6.4.2023) by [The Public Service Pension Schemes \(Rectification of Unlawful Discrimination\) \(Tax\) Regulations 2023 \(S.I. 2023/113\)](#), regs. 1(2), 40, 41 (with reg. 1(3))

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