
Changes to legislation: Finance Act 2016, Cross Heading: Serious ill-health lump sums is up to date with all changes known to be in force on or before 22 July 2023. 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) View outstanding changes

SCHEDULES

SCHEDULE 5

PENSION FLEXIBILITY

Serious ill-health lump sums

- 1 (1) Part 4 of FA 2004 (registered pension schemes etc) is amended as follows.
 - (2) Omit section 205A (serious ill-health lump sum charge on payment to member who has reached 75).
 - (3) In Part 1 of Schedule 29 (interpretation of lump sum rule), paragraph 4 (serious ill-health lump sums) is amended in accordance with sub-paragraphs (4) and (5).
 - (4) In sub-paragraph (1) (meaning of “serious ill-health lump sum”)—
 - (a) at the end of paragraph (b) insert “ and ”, and
 - (b) for paragraphs (c) and (d) substitute—

“(ca) either—

 - (i) it is paid in respect of an uncrystallised arrangement, and it extinguishes the member's entitlement to benefits under the arrangement, or
 - (ii) it is paid in respect of uncrystallised rights of the member under an arrangement other than an uncrystallised arrangement, and it extinguishes the member's uncrystallised rights under the arrangement.”
 - (5) After sub-paragraph (2) insert—

“(2A) In subsection (1)(ca)(ii) “uncrystallised rights”, in relation to the member, means rights of the member that are uncrystallised rights as defined by section 212(1) and (2).”
- 2 (1) Section 636A of ITEPA 2003 (exemption for certain lump sums under registered pension schemes) is amended as follows.
 - (2) In the heading, for “Exemption” substitute “ Exemptions and liabilities ”.
 - (3) For subsection (3A) (serious ill-health lump sum paid to member who has reached 75 is taxed only under section 205A of FA 2004) substitute—

“(3A) Section 579A applies in relation to a serious ill-health lump sum which is paid under a registered pension scheme to a member who has reached the age of 75 as it applies to any pension under a registered pension scheme.”
- 3 (1) In consequence of the amendment made by paragraph 1(2), in Part 4 of FA 2004—
 - (a) in section 164(2)(b) omit “, the serious ill-health lump sum charge”,
 - (b) omit section 272A(7)(a)(ii),

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- (c) in section 280(2) omit the entry for “serious ill-health lump sum charge”, and
 - (d) in Schedule 34—
 - (i) omit paragraph 1(3)(ca), and
 - (ii) in paragraph 5 omit “, serious ill-health lump sum charge”.
 - (2) In consequence of the amendment made by paragraph 1(2), in section 30(1) of ITA 2007 omit the entry for section 205A of FA 2004.
 - (3) In consequence of the amendments made by paragraphs 1 and 2 and sub-paragraphs (1) and (2)—
 - (a) in Schedule 16 to FA 2011, omit paragraphs 28(2)(a), 40, 42(3), 63, 77(4), 81(2) and (4)(b) and 83, and
 - (b) omit section 2(4) of the Taxation of Pensions Act 2014.
- 4 The amendments made by paragraphs 1 to 3 have effect in relation to lump sums paid after the day on which this Act is passed.

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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. 19 para. 12(5)(b) inserted by [2017 c. 32 Sch. 14 para. 49\(2\)\(c\)](#)
- Sch. 19 para. 12(5)(a) word inserted by [2017 c. 32 Sch. 14 para. 49\(2\)\(b\)](#)
- Sch. 19 para. 51(8)(b) words inserted by [2017 c. 32 Sch. 14 para. 48\(2\)](#)
- Sch. 19 para. 53(1) words inserted by [2017 c. 32 Sch. 14 para. 48\(4\)\(a\)](#)
- Sch. 19 para. 53(1) words inserted by [2017 c. 32 Sch. 14 para. 48\(4\)\(b\)](#)
- Sch. 19 para. 12(5)(a) words renumbered as Sch. 19 para. 12(5)(a) by [2017 c. 32 Sch. 14 para. 49\(2\)\(a\)](#)
- Sch. 19 para. 58(1) words substituted by [2017 c. 32 Sch. 14 para. 48\(5\)](#)
- Sch. 20 para. 1(4)(e) inserted by [2021 c. 26 Sch. 27 para. 47\(2\)](#)
- Sch. 20 para. 3(3)(d) and word inserted by [2021 c. 26 Sch. 27 para. 47\(3\)\(b\)](#)
- Sch. 20 para. 5(5) inserted by [2021 c. 26 Sch. 27 para. 47\(5\)](#)
- Sch. 22 para. 2(4B) inserted by [2021 c. 26 Sch. 27 para. 48\(2\)\(c\)](#)
- Sch. 22 para. 3(4A) inserted by [2021 c. 26 Sch. 27 para. 48\(3\)](#)