Status: Point in time view as at 06/04/2006.
Changes to legislation: There are currently no known outstanding effects for the Finance Act 2004, SCHEDULE 29. (See end of Document for details)

SCHEDULES

SCHEDULE 29

Sections 166 and 168

REGISTERED PENSION SCHEMES: AUTHORISED LUMP SUMS—SUPPLEMENTARY

Modifications etc. (not altering text)

C1 Sch. 29 modified (6.4.2006) by The Pensions Schemes (Application of UK Provisions to Relevant Non-UK Schemes) Regulations 2006 (S.I. 2006/207), regs. 1(1), **15**

PART 1

LUMP SUM RULE

Modifications etc. (not altering text)

C2 Sch. 29 Pt. 1 modified (6.4.2006) by The Taxation of Pension Schemes (Transitional Provisions) Order 2006 (S.I. 2006/572), arts. 1(1), **25(1)**(2)(4)

C3 Sch. 29 Pt. 1 applied (with modifications) (6.4.2006) by The Pension Protection Fund (Tax) Regulations 2006 (S.I. 2006/575), regs. 1, **11**

Pension commencement lump sum

1 (1) For the purposes of this Part a lump sum is a pension commencement lump sum if—

[F1(a) the member becomes entitled to it before reaching the age of 75,

(aa) the member becomes entitled to it in connection with becoming entitled to a relevant pension (or dies after becoming entitled to it but before becoming entitled to the relevant pension in connection with which it was anticipated that the member would become entitled to it)]

(b) it is paid when all or part of the member's lifetime allowance is available,

(c) it is paid within the period [F2beginning six months before, and ending one year after,] the day on which the member becomes entitled to it,

(d) it is paid when the member has reached normal minimum pension age (or the ill-health condition is satisfied),

F3(e) . . . . and

(f) it is not an excluded lump sum (see sub-paragraph (4)).

(2) But if a lump sum falling within sub-paragraph (1) exceeds the permitted maximum, the excess is not a pension commencement lump sum.

(3) A pension is a relevant pension if—

(a) it is income withdrawal, a lifetime annuity or a scheme pension, and

(b) the member becomes entitled to it [F4, otherwise than by virtue of the operation of paragraph 8(2) of Schedule 28, under the pension scheme] under which the member becomes entitled to the lump sum.

(4) A lump sum is an excluded lump sum if—

(a) the pension in connection with which the member becomes entitled to it is a scheme pension the rate of which is to reduce (or which is to cease to be payable) in accordance with paragraph 2(4)(c) of Schedule 28 [F5at a time not earlier than when the member reaches the age of 60 and not later than when the member reaches the age of 65], and

(b) the sole or main purpose of making provision for the pension to be such a pension was to increase the member's entitlement to a lump sum on which there is no liability to income tax.

(5) Paragraph 2 defines the permitted maximum.

[F6(6) The Board of Inland Revenue may by regulations provide that, where incorrect income tax has been paid by the scheme administrator in relation to the member by way of the lifetime allowance charge in circumstances prescribed by the regulations, a lump sum subsequently paid to the member in circumstances so prescribed is to be treated as a pension commencement lump sum even though either or both of the conditions in sub-paragraph [F7(1)(a) and (c)] are not met.]

Textual Amendments

F1 Sch. 29 para. 1(1)(a)(aa) substituted (retrospective to 6.4.2006) for Sch. 29 para. 1(1)(a) by Finance Act 2007 (c. 11), **Sch. 20 paras. 11(2)(a)**, 24(3)

F2 Words in Sch. 29 para. 1(1)(c) substituted (retrospective to 6.4.2006) by Finance Act 2007 (c. 11), **Sch. 20 paras. 11(2)(b)**, 24(3)

F3 Words in Sch. 29 para. 1(1)(e) omitted (retrospective to 6.4.2006) by virtue of Finance Act 2007 (c. 11), **Sch. 20 paras. 11(2)(c)**, 24(3)

F4 Words in Sch. 29 para. 1(3)(b) substituted (6.4.2006) by Finance Act 2005 (c. 7), **Sch. 10 paras. 34(2)**, 64(1)

F5 Words in Sch. 29 para. 1(4)(a) substituted (retrospective to 6.4.2006) by Finance Act 2006 (c. 25), s. 161(2), **Sch. 23 para. 21**

F6 Sch. 29 para. 1(6) inserted (6.4.2006) by Finance Act 2005 (c. 7), **Sch. 10 paras. 34(3)**, 64(1)

F7 Words in Sch. 29 para. 1(6) substituted (retrospective to 6.4.2006) by Finance Act 2007 (c. 11), **Sch. 20 paras. 11(3)**, 24(3)

Modifications etc. (not altering text)

C4 Sch. 29 para. 1 modified (6.4.2006) by The Taxation of Pension Schemes (Transitional Provisions) Order 2006 (S.I. 2006/572), arts. 1(1), **28**

C5 Sch. 29 para. 1(1) modified (6.4.2006) by The Taxation of Pension Schemes (Transitional Provisions) Order 2006 (S.I. 2006/572), arts. 1(1), **18**

2 (1) If sub-paragraph (2) applies, the permitted maximum is nil.

(2) This sub-paragraph applies if all the member's rights under the arrangement under which the member becomes entitled to the relevant pension are attributable to a disqualifying pension credit.

(3) A pension credit is disqualifying if, when the member becomes entitled to it, the person subject to the corresponding pension debit has an actual (rather than a prospective) right to payment of a pension under the relevant arrangement.

(4) The relevant arrangement is the arrangement to which the pension sharing order or provision, by virtue of which the member becomes entitled to the pension credit, relates.

(5) If sub-paragraph (2) does not apply, the permitted maximum is the lower of—

(a) the available portion of the member's lump sum allowance, and

(b) the applicable amount, calculated in accordance with paragraph 3.

[F8(5A) But if the member dies before becoming entitled to the relevant pension in connection with which it was anticipated that the member would become entitled to the lump sum, the permitted maximum is the available portion of the member's lump sum allowance.]

(6) The available portion of the member's lump sum allowance is—

$$\frac{CSLA - AAC}{4}$$

where—

CSLA is the current standard lifetime allowance, and

AAC is the aggregate of the [F9relevant amount in the case of] each benefit crystallisation event which has occurred in relation to the member before the member becomes entitled to the lump sum, as adjusted under sub-paragraph (7) (and if no such benefit crystallisation event has occurred, is nil).

[F10(6A) Subject to sub-paragraph (6B), the relevant amount in the case of a benefit crystallisation event is the amount crystallised by it.

(6B) If the benefit crystallisation event is becoming entitled to a scheme pension under a money purchase arrangement, the relevant amount in the case of the benefit crystallisation event is the aggregate of—

(a) the amount of such of the sums held for the purposes of the pension scheme, and

(b) the market value of such of the assets held for the purposes of the pension scheme,

as are applied in (or in connection with) the purchase or provision of the scheme pension and any related dependants' scheme pension.]

(7) The adjustment of [F11the relevant amount in the case of] a previous benefit crystallisation event referred to in the definition of AAC is the multiplication of the amount by—

$$\frac{CSLA}{PSLA}$$

where—

CSLA is the current standard lifetime allowance, and

PSLA is the standard lifetime allowance at the time of the previous benefit crystallisation event.

(8) If the amount given by sub-paragraph (6) is negative, no portion of the member's lump sum allowance is available.

Textual Amendments

F8 Sch. 29 para. 2(5A) inserted (retrospectively) by Finance Act 2007 (c. 11), **Sch. 20 paras. 11(4)**, 24(3)

F9 Words in Sch. 29 para. 2(6) substituted (retrospective to 6.4.2006) by Finance Act 2006 (c. 25), s. 161(2), **Sch. 23 para. 23(2)**

F10 Sch. 29 para. 2(6A)(6B) inserted (retrospective to 6.4.2006) by Finance Act 2006 (c. 25), s. 161(2), **Sch. 23 para. 23(3)**

F11 Words in Sch. 29 para. 2(7) substituted (retrospective to 6.4.2006) by Finance Act 2006 (c. 25), s. 161(2), **Sch. 23 para. 23(4)**

Modifications etc. (not altering text)

C6 Sch. 29 para. 2(6) modified (6.4.2006) by The Taxation of Pension Schemes (Transitional Provisions) Order 2006 (S.I. 2006/572), arts. 1(1), **19**

3 (1) Where the member becomes entitled to income withdrawal, the applicable amount is one third of the aggregate of—

(a) the amount of the sums designated as available for the payment of unsecured pension on that occasion, and

(b) the market value of the assets so designated,

but subject to sub-paragraph (2).

(2) Any of the sums and assets so designated which represent rights attributable to a disqualifying pension credit are to be disregarded.

(3) Where the member becomes entitled to a lifetime annuity, the applicable amount is one third of the annuity purchase price.

(4) "The annuity purchase price" is the aggregate of—

(a) the amount of such of the sums held for the purposes of the pension scheme, and

(b) the market value of such of the assets held for the purposes of the pension scheme,

as are applied in (or in connection with) the purchase **[**F12 of the lifetime annuity and any related dependants' annuity**]**, but subject to sub-paragraph (5).

[F13 (4A) For the purposes of this Part a dependants' 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 dependant's annuity will be payable to a dependant of the member.**]**

[F14(5) There is to be deducted from that aggregate—
(a) if the sums or assets applied in (or in connection with) the purchase of the annuity or any related dependants' annuity consist of or include sums or assets representing the whole or part of the member's unsecured pension fund, the aggregate of the amount of those sums and the market value of those assets, and
(b) in any case, so much (if any) of the sums or assets applied in (or in connection with) the purchase of the annuity or any related dependants' annuity as represents rights which are attributable to a disqualifying pension credit.]

(6) Where the member becomes entitled to a scheme pension [F15under a defined benefits arrangement], the applicable amount is—

$$\frac{LS + AC}{4}$$

but subject to sub-paragraph (8).

(7) In sub-paragraph (6)—
LS is the amount of the lump sum, and
AC is the amount crystallised by reason of the member becoming entitled to the pension (see section 216) [F16(disregarding paragraph 3 of Schedule 32)].

[F17(7A) Where the member becomes entitled to a scheme pension under a money purchase arrangement, the applicable amount is one third of the scheme pension purchase price.

(7B) "The scheme pension purchase price" is the aggregate of—
(a) the amount of such of the sums held for the purposes of the pension scheme, and
(b) the market value of such of the assets held for the purposes of the pension scheme,

as are applied in (or in connection with) the purchase or provision of the scheme pension and any related dependants' scheme pension, but subject to sub-paragraph (8).

(7C) For the purposes of this Part a dependants' scheme pension is related to a scheme pension payable to a member of a registered pension scheme if—
(a) the day on which one is purchased or sums or assets are applied for its provision is no earlier than seven days before, and no later than seven days after, the day on which the other is purchased or sums or assets are applied for its provision, and
(b) the dependants' scheme pension will be payable to a dependant of the member.]

(8) There is to be deducted from the aggregate of the amount of the lump sum and the amount crystallised [F18or from the scheme pension purchase price]—
(a) if the scheme pension is funded (in whole or in part) by the [F19application] of sums or assets representing the whole or part of the member's unsecured

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pension fund, the aggregate of the amount of those sums and the market value of those assets, and

(b) in any case, so much (if any) of the aggregate of the lump sum and the amount crystallised **[**[F20]or of the scheme pension purchase price**]** as represents rights which are attributable to a disqualifying pension credit.

[[F21](9) Sub-paragraph (10) applies if—

(a) sums or assets held for the purposes of, or representing accrued rights under, a money purchase arrangement relating to the member under a registered pension scheme ("member money purchase funds") are subject to a relevant surrender or a relevant transfer,

(b) the sole or main purpose of the relevant surrender or relevant transfer is to increase the applicable amount on the member becoming entitled to a scheme pension, and

(c) the member becomes entitled to a scheme pension under a relevant defined benefits arrangement.

(10) The pension scheme under which the relevant defined benefits arrangement is an arrangement is to be treated as making an unauthorised payment to the member of any amount by which—

(a) the applicable amount in relation to the scheme pension under sub-paragraph (6), exceeds

(b) the amount which would be that applicable amount under sub-paragraph (7A) if the arrangement were a money purchase arrangement.

(11) For the purposes of sub-paragraph (9)—

(a) member money purchase funds are subject to a relevant surrender if they are surrendered and, in consequence of the surrender, there is a corresponding increase in the sums or assets held for the purposes of, or representing rights under, a defined benefits arrangement relating to the member under the pension scheme (or such an arrangement is established), and

(b) member money purchase funds are subject to a relevant transfer if they are transferred so as to become held for the purposes of, or to represent rights under, a defined benefits arrangement relating to the member under any other registered pension scheme.

(12) In sub-paragraphs (9) and (10) "relevant defined benefits arrangement" means—

(a) the defined benefits arrangement mentioned in paragraph (a) or (b) of sub-paragraph (11), or

(b) any other defined benefits arrangement relating to the member (under the pension scheme or any other registered pension scheme) in the case of which any of the sums or assets held for the purposes of, or representing accrued rights under, the arrangement directly or indirectly represent sums or assets previously held for the purposes of, or representing accrued rights under, the defined benefits arrangement so mentioned.**]**

Textual Amendments

F12 Words in Sch. 29 para. 3(4) substituted (6.4.2006) by Finance Act 2005 (c. 7), **Sch. 10 paras. 30(2)**, 64(1)

F13 Sch. 29 para. 3(4A) inserted (6.4.2006) by Finance Act 2005 (c. 7), **Sch. 10 paras. 30(3)**, 64(1)

F14 Sch. 29 para. 3(5) substituted (6.4.2006) by Finance Act 2005 (c. 7), **Sch. 10 paras. 35(2)**, 64(1)

F15 Words in Sch. 29 para. 3(6) inserted (retrospective to 6.4.2006) by Finance Act 2006 (c. 25), s. 161(2), **Sch. 23 para. 22(2)**
F16 Words in Sch. 29 para. 3(7) inserted (6.4.2006) by Finance Act 2005 (c. 7), **Sch. 10 paras. 35(3)**, 64(1)
F17 Sch. 29 para. 3(7A)-(7C) inserted (retrospective to 6.4.2006) by Finance Act 2006 (c. 25), s. 161(2), **Sch. 23 para. 22(3)**
F18 Words in Sch. 29 para. 3(8) inserted (retrospective to 6.4.2006) by Finance Act 2006 (c. 25), s. 161(2), **Sch. 23 para. 22(4)(a)**
F19 Word in Sch. 29 para. 3(8) substituted (6.4.2006) by Finance Act 2005 (c. 7), **Sch. 10 paras. 24**, 64(1)
F20 Words in Sch. 29 para. 3(8) inserted (retrospective to 6.4.2006) by Finance Act 2006 (c. 25), s. 161(2), **Sch. 23 para. 22(4)(b)**
F21 Sch. 29 para. 3(9)-(12) inserted (retrospective to 6.4.2006) by Finance Act 2006 (c. 25), s. 161(2), **Sch. 23 para. 22(5)**

[F22 3A (1) Where this paragraph applies in relation to a pension commencement lump sum paid to the member, the pension scheme is to be treated as making to the member an unauthorised payment of the appropriate amount.

(2) Subject to sub-paragraphs (3) and (4), this paragraph applies in relation to a pension commencement lump sum if—

(a) because of the lump sum, the amount of the contributions paid by or on behalf of, or in respect of, the member to the pension scheme, or to any other registered pension scheme, is significantly greater than it otherwise would be, and

(b) the member envisaged at the relevant time that that would be so.

(3) This paragraph does not apply in relation to any lump sum paid to the member on any day if the amount of the lump sum, when added to any other pension commencement lump sum paid to the member within the period of 12 months ending with that day, does not exceed 1% of the standard lifetime allowance on that day.

(4) This paragraph does not apply if the amount by which the contributions paid as mentioned in sub-paragraph (2)(a) is greater than it otherwise would be because of the lump sum does not exceed 30% of the amount of the lump sum.

(5) "The appropriate amount" is so much of—

(a) the amount crystallised by the benefit crystallisation event constituted by the payment of the lump sum, as does not exceed

(b) the amount of the member's lifetime allowance which is available on it.

(6) "The relevant time" is—

(a) if paragraph (a) of sub-paragraph (2) is satisfied before the lump sum is paid, the time when that paragraph is first satisfied, and

(b) otherwise, the time when the lump sum is paid.]

Textual Amendments

F22 Sch. 29 para. 3A inserted (retrospective to 6.4.2006) by Finance Act 2006 (c. 25), **s. 159(1)**(2)

Serious ill-health lump sum

4 (1) For the purposes of this Part a lump sum is a serious ill-health lump sum if—

(a) before it is paid the scheme administrator has received evidence from a registered medical practitioner that the member is expected to live for less than one year,

(b) it is paid when all or part of the member's lifetime allowance is available,

(c) it is paid in respect of an uncrystallised arrangement,

(d) it extinguishes the member's entitlement to benefits under the arrangement, and

(e) it is paid when the member has not reached the age of 75.

(2) An uncrystallised arrangement is an arrangement in respect of which there has been no previous benefit crystallisation event.

Modifications etc. (not altering text)

C7 Sch. 29 para. 4(1) modified (6.4.2006) by The Registered Pension Schemes (Splitting of Schemes) Regulations 2006 (S.I. 2006/569), regs. 1(1), 3(1)(2), **Sch. 3 Pt. 1**

C8 Sch. 29 para. 4(2) modified (6.4.2006) by The Taxation of Pension Schemes (Transitional Provisions) Order 2006 (S.I. 2006/572), arts. 1(1), **33(1)-(3)**

Short service refund lump sum

5 (1) For the purposes of this Part a lump sum is a short service refund lump sum if—

(a) the pension scheme is an occupational pension scheme,

(b) the member's pensionable service was terminated before normal pension age but the member is not entitled to short service benefit by virtue of section 71 of the Pension Schemes Act 1993 (c. 48) (basic principle as to short service benefit),

(c) there has been no previous benefit crystallisation event in relation to the member and the pension scheme,

(d) it extinguishes the member's entitlement to benefits under the pension scheme **[**F23(except to the extent that it is prohibited from being extinguished by the payment of a lump sum by reason of the operation of provision made by or under any enactment)**]**, and

(e) it is paid when the member has not reached the age of 75.

(2) But if a lump sum falling within sub-paragraph (1) exceeds an amount equal to the aggregate of the member's contributions under the pension scheme, the excess is not a short service refund lump sum.

(3) "Pensionable service", "normal pension age" and "short service benefit" have the same meaning as in the Pension Schemes Act 1993 (see section 181 (1) of that Act).

Textual Amendments

F23 Words in Sch. 29 para. 5(1)(d) inserted (retrospective to 6.4.2006) by Finance Act 2006 (c. 25), s. 161(2), **Sch. 23 para. 27**

Refund of excess contributions lump sum

6 (1) A lump sum is a refund of excess contributions lump sum if—

(a) it is paid in respect of a tax year in which the excess contributions condition is met in respect of the member, and

(b) it is paid before the end of the period of six years beginning with the last day of the tax year in respect of which it is paid.

(2) But if a lump sum falling within sub-paragraph (1) exceeds the member's available excess contributions allowance for the tax year in respect of which it is paid, the excess is not a refund of excess contributions lump sum.

(3) The excess contributions condition is met in respect of a member and a tax year if the amount of relievable pension contributions (see section 188(2) and (3)) paid in respect of the member in the tax year exceeds the maximum amount of relief to which the member is entitled for the tax year under section 190 (annual limit for relief).

(4) If no refund of excess contributions lump sum has been paid to the member in respect of a tax year (by any registered pension scheme), the available excess contributions allowance for that tax year is **[**[F24](subject to sub-paragraph (7))**]**—

$$RPC - MAR$$

(5) If one or more refund of excess contributions lump sums have been paid to the member in respect of a tax year, the available excess contributions allowance for that tax year is **[**[F25](subject to sub-paragraph (7))**]**—

$$RPC - MAR - ALS$$

or, if the amount resulting from that calculation is negative, is nil.

(6) In this paragraph—

RPC is the amount of the relievable pension contributions paid in respect of the member in the tax year,

MAR is the maximum amount of relief to which the member is entitled for the tax year under section 190, and

ALS is the aggregate of the refund of excess contributions lump sums previously paid to the member in respect of the tax year.

[[F26](7) If any relief given in accordance with section 192(1) in relation to any contribution included in RPC is in excess of the maximum amount of relief to which the member is entitled under section 190, RPC is to be taken to be reduced by the amount of that excess.**]**

Textual Amendments

F24 Words in Sch. 29 para. 6(4) inserted (retrospective to 6.4.2006) by Finance Act 2006 (c. 25), s. 161(2), **Sch. 23 para. 28(2)**

F25 Words in Sch. 29 para. 6(5) inserted (retrospective to 6.4.2006) by Finance Act 2006 (c. 25), s. 161(2), **Sch. 23 para. 28(2)**

F26 Sch. 29 para. 6(7) inserted (retrospective to 6.4.2006) by Finance Act 2006 (c. 25), s. 161(2), **Sch. 23 para. 28(3)**

Trivial commutation lump sum

7 (1) For the purposes of this Part a lump sum is a trivial commutation lump sum if—

(a) it is paid when no trivial commutation lump sum has previously been paid to the member (by any registered pension scheme) or, if such a lump sum has previously been paid, before the end of the commutation period,

(b) on the nominated date, the value of the member's pension rights does not exceed the commutation limit,

(c) it is paid when all or part of the member's lifetime allowance is available,

(d) it extinguishes the member's entitlement to benefits under the pension scheme, and

(e) it is paid when the member has reached the age of 60 but has not reached the age of 75.

(2) The commutation period is the period beginning with the day on which a trivial commutation lump sum is first paid to the member and ending 12 months after that day.

(3) The nominated date is the day within the period of three months ending with the first day of the commutation period nominated by the member (or, if no date is nominated, is the first day of the commutation period).

(4) The commutation limit is 1% of the standard lifetime allowance on the nominated date.

(5) The value of the member's pension rights on the nominated date is the aggregate of—

(a) the value of the member's relevant crystallised pension rights on that date (calculated in accordance with paragraph 8), and

(b) the value of the member's uncrystallised rights on that date (calculated in accordance with paragraph 9).

8 (1) The value of the member's relevant crystallised pension rights on the nominated date is the aggregate of—

(a) the value of the member's relevant crystallised pension rights on 5th April 2006, calculated in accordance with paragraph 10 of Schedule 36 (as if the member were the individual mentioned there), as adjusted under sub-paragraph (2), and

(b) the aggregate of the amounts crystallised on benefit crystallisation events in the period beginning with 6th April 2006 and ending with the nominated date, as adjusted under sub-paragraph (3).

(2) The adjustment referred to in sub-paragraph (1)(a) is the multiplication of the value of the member's relevant crystallised pension rights on 5th April 2006 by—

$$\frac{SLAN}{FSLA}$$

where—

SLAN is the standard lifetime allowance on the nominated date, and

FSLA is £1,500,000 (the standard lifetime allowance for the tax year 2006-07).

(3) The adjustment referred to in sub-paragraph (1)(b) is the multiplication of the amount crystallised by a previous benefit crystallisation event by—

$$\frac{SLAN}{PSLA}$$

where—

SLAN is the standard lifetime allowance on the nominated date, and

PSLA is the standard lifetime allowance when the previous benefit crystallisation event occurred.

9 (1) The value of the member's uncrystallised rights on the nominated date is the aggregate value of the member's uncrystallised rights on that date under each arrangement relating to the member under a registered pension scheme.

(2) The value on the nominated date of the member's uncrystallised rights under such an arrangement is to be calculated in accordance with section 212 (valuation of uncrystallised rights for purposes of section 210).

Winding-up lump sum

10 (1) For the purposes of this Part a lump sum is a winding-up lump sum if—

(a) the pension scheme is an occupational pension scheme,
(b) the pension scheme is being wound-up,
(c) the member's employer meets the conditions in sub-paragraph (3),
(d) it is paid when all or part of the member's lifetime allowance is available,
(e) it extinguishes the member's entitlement to benefits under the pension scheme, and
(f) it is paid when the member has not reached the age of 75.

(2) But if a lump sum falling within sub-paragraph (1) exceeds 1% of the standard lifetime allowance when the lump sum is paid, the excess is not a winding-up lump sum.

(3) The conditions are that the employer—

(a) has made contributions under the pension scheme in respect of the member,
(b) is not making contributions under any other registered pension scheme in respect of the member, and
(c) undertakes to the Inland Revenue not to make such contributions during the period of one year beginning with the day on which the lump sum is paid.

Lifetime allowance excess lump sum

11 For the purposes of this Part a lump sum is a lifetime allowance excess lump sum if—

(a) it is paid when none of the member's lifetime allowance is available,
(b) it is not a short service refund lump sum or a refund of excess contributions lump sum,

(c) it does not reduce the rate of payment of any pension to which the member has become (actually) entitled, or extinguish the member's entitlement to payment of any such pension,

(d) it is paid when the member has reached normal minimum pension age (or the ill-health condition is met), and

(e) it is paid when the member has not reached the age of 75.

Interpretation of Part 1

12 (1) Expressions used in this Part of this Schedule and in Schedule 28 have the same meaning in this Part of this Schedule as in Schedule 28.

(2) Where all or part of the member's lifetime allowance is available immediately before a lump sum is paid, sub-paragraph (3) applies to the lump sum if—

(a) its amount exceeds the member's available lifetime allowance, and

(b) but for that fact, it would satisfy all the requirements of paragraph 1(1), 4(1), 7 (1) or 10(1).

(3) For the purposes of this Schedule, the whole of the lump sum (and not only so much of it as does not exceed the member's available lifetime allowance) is to be treated as paid when all or part of the member's lifetime allowance is available.

(4) But sub-paragraph (3) does not apply—

(a) in the case of a lump sum that would satisfy all the requirements of paragraph 1(1), to so much of it as would be prevented from being a pension commencement lump sum by paragraph 1(2), and

(b) in the case of a lump sum that would satisfy all the requirements of paragraph 10(1), to so much of it as would be prevented from being a winding-up lump sum by paragraph 10(2).

(5) Where by virtue of paragraph 1(2), 5(2), 6(2) or 10(2) an excess is not an authorised lump sum of one description, that does not prevent the excess being an authorised lump sum of another description.

(6) "Authorised lump sum" means a lump sum authorised to be paid by the lump sum rule.

PART 2

LUMP SUM DEATH BENEFIT RULE

Modifications etc. (not altering text)

C9 Sch. 29 Pt. 2 applied (with modifications) (6.4.2006) by The Pension Protection Fund (Tax) Regulations 2006 (S.I. 2006/575), regs. 1, **14**

C10 Sch. 29 Pt. 2 modified (6.4.2006) by The Taxation of Pension Schemes (Transitional Provisions) Order 2006 (S.I. 2006/572), arts. 1(1), **6**, 8(1)(3)

Defined benefits arrangements

Defined benefits lump sum death benefit

13 For the purposes of this Part a lump sum death benefit is a defined benefits lump sum death benefit if—

(a) the member had not reached the age of 75 at the date of the member's death,

(b) it is paid in respect of a defined benefits arrangement,

(c) it is paid before the end of the period of two years beginning with the day on which the member died, and

(d) it is not a pension protection lump sum death benefit, trivial commutation lump sum death benefit or winding-up lump sum death benefit.

Pension protection lump sum death benefit

14 (1) For the purposes of this Part a lump sum death benefit is a pension protection lump sum death benefit if—

(a) the member had not reached the age of 75 at the date of the member's death,

(b) it is paid in respect of a defined benefits arrangement,

(c) it is paid in respect of a scheme pension to which the member was entitled at the date of the member's death, and

(d) the member has specified that it is to be treated as a pension protection lump sum death benefit (instead of a defined benefits lump sum death benefit).

(2) But if the amount of a lump sum falling within sub-paragraph (1) exceeds the pension protection limit, the excess is not a pension protection lump sum death benefit.

(3) The pension protection limit is—

$$AC - AP - TPLS$$

where—

AC is the amount crystallised by reason of the member becoming entitled to the pension (see section 216),

AP is the amount of the pension paid in respect of the period between the member becoming entitled to the pension and the member's death, and

TPLS is the total amount of pension protection lump sum death benefit previously paid in respect of the pension under this paragraph.

Modifications etc. (not altering text)

C11 Sch. 29 para. 14(3) modified (6.4.2006) by The Taxation of Pension Schemes (Transitional Provisions) Order 2006 (S.I. 2006/572), arts. 1(1), **33(1)**(2)(4)

Money purchase arrangements

Uncrystallised funds lump sum death benefit

15 (1) For the purposes of this Part a lump sum death benefit is an uncrystallised funds lump sum death benefit if—

(a) the member had not reached the age of 75 at the date of the member's death,

(b) it is paid in respect of a money purchase arrangement,

(c) it is paid before the end of the period of two years beginning with the day on which the member died, and

(d) it is paid in respect of relevant uncrystallised funds.

(2) "Relevant uncrystallised funds" means such of the sums and assets held for the purposes of the arrangement at the member's death as—

(a) had not been applied for purchasing a scheme pension, a lifetime annuity, a dependants' scheme pension or a dependants' annuity, and

(b) had not been designated under the arrangement as available for the payment of unsecured pension.

(3) But if an amount falling within sub-paragraph (1) exceeds the permitted maximum, the excess is not an uncrystallised funds lump sum death benefit.

(4) The permitted maximum is the aggregate of—

(a) the amount of the sums, and

(b) the market value of the assets,

which constitute the relevant uncrystallised funds immediately before the payment is made.

Annuity protection lump sum death benefit

16 (1) For the purposes of this Part a lump sum death benefit is an annuity protection lump sum death benefit if—

(a) the member had not reached the age of 75 at the date of the member's death,

(b) it is paid in respect of a money purchase arrangement, and

(c) it is paid in respect of a scheme pension or lifetime annuity to which the member was entitled at the date of the member's death.

(2) But if the amount of a lump sum falling within sub-paragraph (1) exceeds the annuity protection limit, the excess is not an annuity protection lump sum death benefit.

(3) The annuity protection limit is—

$$AC - AP - TPLS$$

where—

AC is the amount crystallised by reason of the member becoming entitled to the pension or annuity (see section 216) **[**[F27], but disregarding paragraphs 3 and 4 of Schedule 32**]**,

AP is the amount of the pension paid in respect of the period between the member becoming entitled to the pension or annuity and the member's death, and

TPLS is the total amount of annuity protection lump sum death benefit previously paid in respect of the pension or annuity under this paragraph.

Textual Amendments

F27 Words in Sch. 29 para. 16(3) inserted (retrospective to 6.4.2006) by Finance Act 2006 (c. 25), s. 161(2), **Sch. 23 para. 29**

Modifications etc. (not altering text)

C12 Sch. 29 para. 16(3) modified (6.4.2006) by The Taxation of Pension Schemes (Transitional Provisions) Order 2006 (S.I. 2006/572), arts. 1(1), **33(1)**(2)(5)

Unsecured pension fund lump sum death benefit

17 (1) For the purposes of this Part a lump sum death benefit is an unsecured pension fund lump sum death benefit if—

(a) the member had not reached the age of 75 at the date of the member's death, and

(b) it is paid in respect of income withdrawal to which the member was entitled under an arrangement at the date of the member's death.

(2) A lump sum death benefit is also an unsecured pension fund lump sum death benefit if—

(a) it is paid on the death of a dependant of the member,

(b) the dependant had not reached the age of 75 at the date of the dependant's death, and

(c) it is paid in respect of dependants' income withdrawal to which the dependant was entitled at the date of the dependant's death in respect of an arrangement relating to the member.

(3) But if the amount of a lump sum falling within sub-paragraph (1) or (2) exceeds the permitted maximum, the excess is not an unsecured pension fund lump sum death benefit.

(4) The permitted maximum is the aggregate of—

(a) the amount of the sums, and

(b) the market value of the assets,

representing the member's or dependant's unsecured pension fund in respect of the arrangement immediately before the payment is made.

Charity lump sum death benefit

18 (1) A lump sum death benefit is a charity lump sum death benefit if—

(a) the member had reached the age of 75 at the date of the member's death,

(b) there are no dependants of the member,

(c) it is paid in respect of **[**[F28]the member's alternatively secured pension fund (or what would be the member's alternatively secured pension fund but for paragraph 11(6) and (7) of Schedule 28)**]** in respect of an arrangement at the date of the member's death, and

(d) it is paid to a charity nominated by the member.

(2) A lump sum death benefit is also a charity lump sum death benefit if—

(a) it is paid on the death of a dependant of the member,

(b) the dependant had reached the age of 75 at the date of the dependant's death,

(c) there are no other dependants of the member,

(d) it is paid in respect of **[**[F29]the dependant's alternatively secured pension fund**]** at the date of the dependant's death in respect of an arrangement relating to the member, and

(e) it is paid to a charity nominated by the member (or, if the member made no nomination, by the dependant).

(3) But if the amount of a lump sum falling within sub-paragraph (1) or (2) exceeds the permitted maximum, the amount of the excess is not a charity lump sum death benefit.

(4) The permitted maximum is the aggregate of—

(a) the amount of the sums, and

(b) the market value of the assets,

representing **[**[F30]what is (or but for paragraph 11(6) and (7) of Schedule 28 would be)**]** the member's or dependant's alternatively secured pension fund in respect of the arrangement immediately before the payment is made.

Textual Amendments

F28 Words in Sch. 29 para. 18(1)(c) substituted (retrospective to 6.4.2006) by Finance Act 2007 (c. 11), **Sch. 19 paras. 16(2)**, 29(4)

F29 Words in Sch. 29 para. 18(2)(d) substituted (retrospective to 6.4.2006) by Finance Act 2007 (c. 11), **Sch. 19 paras. 16(4)**, 29(4)

F30 Words in Sch. 29 para. 18(4) inserted (retrospective to 6.4.2006) by Finance Act 2007 (c. 11), **Sch. 19 paras. 16(6)**, 29(4)

Transfer lump sum death benefit

19 (1) For the purposes of this Part a lump sum death benefit is a transfer lump sum death benefit if—

(a) the member had reached the age of 75 at the date of the member's death,

(b) there are no dependants of the member,

(c) it is paid in respect of income withdrawal to which the member was entitled in respect of an arrangement at the date of the member's death, and

(d) it is paid so as to become held for the purposes of, or to represent accrued rights under, arrangements under the pension scheme relating to one or more members of the pension scheme nominated by the deceased member (or if the member made no nomination, selected by the scheme administrator).

(2) A lump sum death benefit is also a transfer lump sum death benefit if—

(a) it is paid on the death of a dependant of the member,

(b) the dependant had reached the age of 75 at the date of the dependant's death,

(c) there are no other dependants of the member,

(d) it is paid in respect of dependants' income withdrawal to which at the date of the dependant's death the dependant was entitled in respect of an arrangement relating to the member under the pension scheme, and

(e) it is paid so as to become held for the purposes of, or to represent accrued rights under, arrangements under the pension scheme relating to one or more members of the pension scheme nominated by the relevant person (or if the relevant person made no nomination, selected by the scheme administrator).

(3) The relevant person is the member or, if no nomination is made by the member, the dependant.

(4) But if the amount of a lump sum falling within sub-paragraph (1) or (2) exceeds the permitted maximum, the amount of the excess is not a transfer lump sum death benefit.

(5) The permitted maximum is the aggregate of—

(a) the amount of the sums, and

(b) the market value of the assets,

representing the member's or dependant's alternatively secured pension fund in respect of the arrangement immediately before the payment is made.

Modifications etc. (not altering text)

C13 Sch. 29 para. 19(1)(d) modified (6.4.2006) by The Registered Pension Schemes (Splitting of Schemes) Regulations 2006 (S.I. 2006/569), regs. 1(1), 3(1)(2), **Sch. 3 Pt. 1**

C14 Sch. 29 para. 19(2)(e) modified (6.4.2006) by The Registered Pension Schemes (Splitting of Schemes) Regulations 2006 (S.I. 2006/569), regs. 1(1), 3(1)(2), **Sch. 3 Pt. 1**

Defined benefits and money purchase arrangements

Trivial commutation lump sum death benefit

20 (1) A lump sum death benefit is a trivial commutation lump sum death benefit if—

(a) the member had not reached the age of 75 at the date of the member's death,

(b) it is paid to a dependant entitled under the pension scheme to pension death benefit in respect of the member,

(c) it is paid before the day on which the member would have reached the age of 75, and

(d) it extinguishes the dependant's entitlement under the pension scheme to pension death benefit and lump sum death benefit in respect of the member.

(2) But if the amount of a lump sum falling within sub-paragraph (1) exceeds 1% of the standard lifetime allowance on the date the lump sum is paid, the excess is not a trivial commutation lump sum death benefit.

Winding-up lump sum death benefit

21 (1) For the purposes of this Part a lump sum death benefit is a winding-up lump sum death benefit if—

(a) the pension scheme is being wound-up,

(b) it is paid to a dependant entitled under the pension scheme to pension death benefit in respect of the member, and

(c) it extinguishes the dependant's entitlement under the pension scheme to pension death benefit and lump sum death benefit in respect of the member.

(2) But if the amount of a lump sum falling within sub-paragraph (1) exceeds 1% of the standard lifetime allowance on the date the lump sum is paid, the excess is not a winding-up lump sum death benefit.

Interpretation

Interpretation of Part 2

22 (1) Expressions used in this Part of this Schedule and in Schedule 28 have the same meaning in this Part of this Schedule as in Schedule 28.

(2) Where by virtue of paragraph 14(2), 20(2) or 21(2) an excess is not an authorised lump sum death benefit of one description, that does not prevent the excess being an authorised lump sum death benefit of another description.

(3) "Authorised lump sum death benefit" means a lump sum death benefit authorised to be paid by the lump sum death benefit rule.