



# Finance Act 2014

## 2014 CHAPTER 26

### PART 1 **U.K.**

#### INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

### CHAPTER 4 **U.K.**

#### OTHER PROVISIONS

##### *Pensions*

#### **41 Pension flexibility: drawdown **U.K.****

- (1) In section 165(1) of FA 2004 (rules about payment of pension by registered scheme to member) in pension rule 5 (payments of drawdown pension in a year not to exceed 120% of basis amount for year) for “120%” substitute “ 150% ”.
- (2) In section 167(1) of FA 2004 (rules about payment of pension death benefits by registered scheme in respect of member) in pension death benefit rule 4 (payments of dependants' drawdown pension not to exceed 120% of basis amount for year) for “120%” substitute “ 150% ”.
- (3) In paragraph 14A(2) of Schedule 28 to FA 2004 (amount of minimum income requirement for flexible drawdown by member) for “£20,000” substitute “ £12,000 ”.
- (4) In paragraph 24C(2) of Schedule 28 to FA 2004 (amount of minimum income requirement for flexible drawdown by dependant) for “£20,000” substitute “ £12,000 ”.
- (5) In consequence of subsections (1) and (2), in FA 2013 omit section 50(1) and (2).
- (6) The amendments made by subsections (1), (2) and (5) have effect in relation to pension drawdown years beginning on or after 27 March 2014.

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- (7) The amendment made by subsection (3) has effect in relation to declarations made under section 165(3A) of FA 2004 on or after 27 March 2014.
- (8) The amendment made by subsection (4) has effect in relation to declarations made under section 167(2A) of FA 2004 on or after 27 March 2014.

#### 42 Pension flexibility: taking low-value pension rights as lump sum **U.K.**

- (1) In paragraph 7(4) of Schedule 29 to FA 2004 (amount of commutation limit for purposes of trivial commutation lump sum) for “£18,000” substitute “ £30,000 ”.
- (2) In paragraph 8 of Schedule 29 to FA 2004 (value of crystallised pension rights for trivial commutation purposes)—
  - (a) in sub-paragraph (1)(a) omit “, as adjusted under sub-paragraph (2)”,
  - (b) in sub-paragraph (1)(b) omit “, as adjusted under sub-paragraph (3)”, and
  - (c) omit sub-paragraphs (2) and (3), as originally enacted and as substituted by FA 2013.
- (3) In consequence of subsection (1), in FA 2011 omit paragraph 4(2) of Schedule 18.
- (4) In consequence of subsection (2)(c), in FA 2013 omit paragraph 8(4) of Schedule 22.
- (5) In article 23C(4) of the Taxation of Pension Schemes (Transitional Provisions) Order 2006 (S.I. 2006/572) (modifications of Schedule 29 to FA 2004) in the inserted paragraph 7A(1)(a) (limit at or below which additional sums can be trivial commutation lump sums) for “£2,000” substitute “ £10,000 ”.
- (6) In the Registered Pension Schemes (Authorised Payments) Regulations 2009 (S.I. 2009/1171)—
  - (a) in each of regulations 6(1)(b), 8(1)(a), 11(1)(c), 11A(1)(b) and 12(1)(e) (limit at or below which certain payments by registered pension scheme can be authorised payments) for “£2,000” substitute “ £10,000 ”,
  - (b) in regulation 10(3)(b) (certain payments by registered pension scheme which can be authorised payments if value of member's pension rights is not more than £18,000) for “£18,000” substitute “ £30,000 ”,
  - (c) in regulation 11(1)(d) (upper limit on total value of member's benefits under the scheme which would make the payment and all related schemes) for “£2,000” substitute “ £10,000 ”,
  - (d) in regulation 11A(2) (may not be more than one previous payment under regulation 11A) for “one payment” substitute “ two payments ”, and
  - (e) in regulation 12(4) (certain payments by registered pension scheme can be authorised payments only if property held in respect of at least 20 members exceeds £2,000) for “£2,000” substitute “ £10,000 ”.
- (7) In consequence of subsection (6)(b), in the Registered Pension Schemes (Miscellaneous Amendments) Regulations 2011 (S.I. 2011/1751) omit regulation 8(4).
- (8) The amendments made by subsections (1) to (4) have effect for commutation periods beginning on or after 27 March 2014 and do so irrespective of whether the nominated date is before, on or after 27 March 2014.
- (9) The amendment made by subsection (5)—
  - (a) has effect for lump sums paid on or after 27 March 2014, and

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- (b) is to be treated as having been made by the Treasury under the powers to make orders conferred by section 283(2) of FA 2004.
- (10) The amendments made by subsections (6) and (7) have effect for payments made on or after 27 March 2014.
- (11) The amendments made by subsection (6) are to be treated as having been made by the Commissioners for Her Majesty's Revenue and Customs under the powers to make regulations conferred by section 164(1)(f) and (2) of FA 2004.

**43 Pension flexibility: further amendments U.K.**

Schedule 5 makes further provision in connection with pension flexibility.

**44 Transitional provision for new standard lifetime allowance for 2014-15 etc U.K.**

Schedule 6 contains transitional provision in relation to the new standard lifetime allowance for the tax year 2014-15 etc.

**45 Taxable specific income: effect on pension input amount for non-UK schemes U.K.**

- (1) Schedule 34 to FA 2004 (application of certain charges to non-UK pension schemes) is amended as follows.
- (2) In paragraph 10 (pension input amount for cash balance and defined benefits arrangements), for sub-paragraph (2) substitute—

“(2) The appropriate fraction is—

$$\frac{\text{TE} + \text{TSI}}{\text{EI}}$$

where—

EI is the total amount of employment income of the individual from any relevant employment or employments for the tax year, excluding any such income which is exempt income (within the meaning of section 8 of ITEPA 2003),

TE is so much of EI as constitutes taxable earnings from any such employment (within the meaning of section 10(2) of that Act), and

TSI is so much of EI as constitutes taxable specific income from any such employment (within the meaning of section 10(3) to (5) of that Act).”

- (3) In paragraph 11 (pension input amount for other money purchase arrangements), for sub-paragraph (2) substitute—

“(2) The appropriate fraction is—

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$$\frac{\text{TE} + \text{TSI}}{\text{EI}}$$

where—

EI is the total amount of employment income of the individual from any employment or employments with the employer for the tax year, excluding any such income which is exempt income (within the meaning of section 8 of ITEPA 2003),

TE is so much of EI as constitutes taxable earnings from any such employment (within the meaning of section 10(2) of that Act), and

TSI is so much of EI as constitutes taxable specific income from any such employment (within the meaning of section 10(3) to (5) of that Act).”

- (4) The amendments made by this section have effect for the tax year 2014-15 and subsequent tax years.

#### 46 Pension schemes **U.K.**

Schedule 7 makes provision in relation to pension schemes.

**Changes to legislation:**

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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. 31 para. 2(3)(b) inserted by [2017 c. 32 Sch. 14 para. 45\(2\)\(a\)\(iii\)](#)
- Sch. 31 para. 2(4A) inserted by [2017 c. 32 Sch. 14 para. 45\(2\)\(c\)](#)
- Sch. 31 para. 3(1A) inserted by [2017 c. 32 Sch. 14 para. 45\(3\)\(b\)](#)
- Sch. 31 para. 5(b) inserted by [2017 c. 32 Sch. 14 para. 45\(4\)\(c\)](#)
- Sch. 31 para. 2(3)(a) words inserted by [2017 c. 32 Sch. 14 para. 45\(2\)\(a\)\(ii\)](#)
- Sch. 31 para. 5(a) words inserted by [2017 c. 32 Sch. 14 para. 45\(4\)\(b\)](#)
- Sch. 31 para. 2(3)(a) words renumbered as Sch. 31 para. 2(3)(a) by [2017 c. 32 Sch. 14 para. 45\(2\)\(a\)\(i\)](#)
- Sch. 31 para. 5(a) words renumbered as Sch. 31 para. 5(a) by [2017 c. 32 Sch. 14 para. 45\(4\)\(a\)](#)
- Sch. 32 para. 1(2)(b) inserted by [2017 c. 32 Sch. 14 para. 46\(2\)\(a\)\(iii\)](#)
- Sch. 32 para. 1(3A) inserted by [2017 c. 32 Sch. 14 para. 46\(2\)\(c\)](#)
- Sch. 32 para. 1(2)(a) words inserted by [2017 c. 32 Sch. 14 para. 46\(2\)\(a\)\(ii\)](#)
- Sch. 32 para. 1(2)(a) words renumbered as Sch. 32 para. 1(2)(a) by [2017 c. 32 Sch. 14 para. 46\(2\)\(a\)\(i\)](#)