
Changes to legislation: There are currently no known outstanding effects for the Finance Act 2021, PART 1. (See end of Document for details)

SCHEDULES

SCHEDULE 5 **U.K.**

PENSION SCHEMES: COLLECTIVE MONEY PURCHASE BENEFITS

PART 1 **U.K.**

AMENDMENTS OF PART 4 OF FA 2004

- 1 Part 4 of FA 2004 is amended in accordance with paragraphs 2 to 23.
- 2 (1) Section 152 (meaning of “arrangement”) is amended as follows.
- (2) In subsection (2), after “cash balance benefits” insert “, collective money purchase benefits”.
- (3) After subsection (3) insert—
- “(3A) For the purposes of this Part a money purchase arrangement is a “collective money purchase arrangement” at any time if, at that time, all the benefits that may be provided to or in respect of the member under the arrangement are collective money purchase benefits.”
- (4) After subsection (4) insert—
- “(4A) The reference in subsection (4) to an amount available for the provision of benefits to or in respect of the member includes, in relation to a collective money purchase arrangement, an amount available for the provision of benefits to or in respect of members collectively.”
- (5) In subsection (5)—
- (a) the words after “means benefits” become paragraph (a);
- (b) at the end of that paragraph insert “, and”;
- (c) after that paragraph insert—
- “(b) that are not collective money purchase benefits.”
- (6) After that subsection insert—
- “(5A) In this Part “collective money purchase benefits” means benefits that are collective money purchase benefits within the meaning of Part 1 or 2 of the Pension Schemes Act 2021.”
- (7) In subsection (8), for the words from “two or three” to the end substitute “ two, three or four of the varieties specified in subsection (10) ”.
- (8) In subsection (9)—
- (a) for “those varieties of benefits” substitute “ the varieties of benefits specified in subsection (10) ”;

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(b) for “two or three” (in both places those words occur) substitute “ two, three or four ”.

(9) After that subsection insert—

“(10) The varieties of benefits mentioned in subsections (8) and (9) are—

- (a) cash balance benefits,
- (b) collective money purchase benefits,
- (c) money purchase benefits that are neither cash balance benefits nor collective money purchase benefits, and
- (d) defined benefits.”

Commencement Information

I1 [Sch. 5 para. 2](#) in force at 1.8.2022 for the purposes of the amendments made by that paragraph by [S.I. 2022/874, reg. 2](#)

- 3
- (1) In section 165 (pension rules), subsection (1) is amended as follows.
 - (2) In pension rule 3, after “defined benefits arrangement” insert “ or a collective money purchase arrangement ”.
 - (3) In pension rule 4, after “money purchase arrangement” insert “ that is not a collective money purchase arrangement ”.

Commencement Information

I2 [Sch. 5 para. 3](#) in force at 1.8.2022 for the purposes of the amendments made by that paragraph by [S.I. 2022/874, reg. 2](#)

- 4
- (1) In section 167 (pension death benefit rules), subsection (1) is amended as follows.
 - (2) In pension death benefit rule 2, after “defined benefits arrangement” insert “ or a collective money purchase arrangement ”.
 - (3) In pension death benefit rule 3, after “money purchase arrangement” insert “ that is not a collective money purchase arrangement ”.

Commencement Information

I3 [Sch. 5 para. 4](#) in force at 1.8.2022 for the purposes of the amendments made by that paragraph by [S.I. 2022/874, reg. 2](#)

- 5
- (1) Section 172C (allocation of unallocated employer contributions) is amended as follows.
 - (2) In subsection (2)—
 - (a) in paragraph (a), after “cash balance arrangement” insert “ or a collective money purchase arrangement ”;
 - (b) in paragraph (b), for “other than cash balance benefits” substitute “ that are not cash balance benefits or collective money purchase benefits ”.

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Commencement Information

I4 [Sch. 5 para. 5](#) in force at 1.8.2022 for the purposes of the amendments made by that paragraph by [S.I. 2022/874, reg. 2](#)

- 6 (1) Section 182 (unauthorised borrowing: money purchase arrangements) is amended as follows.
- (2) In the heading, at the end insert “ other than collective money purchase arrangements ”.
- (3) In subsection (1), after “money purchase arrangement” insert “ that is not a collective money purchase arrangement ”.
- (4) In subsection (8), after “defined benefits” insert “ or collective money purchase benefits ”.

Commencement Information

I5 [Sch. 5 para. 6](#) in force at 1.8.2022 for the purposes of the amendments made by that paragraph by [S.I. 2022/874, reg. 2](#)

- 7 (1) Section 183 (effect of unauthorised borrowing: money purchase arrangements) is amended as follows.
- (2) In the heading, at the end insert “ other than collective money purchase arrangements ”.

Commencement Information

I6 [Sch. 5 para. 7](#) in force at 1.8.2022 for the purposes of the amendments made by that paragraph by [S.I. 2022/874, reg. 2](#)

- 8 (1) Section 184 (unauthorised borrowing: other arrangements) is amended as follows.
- (2) In subsection (1), for “arrangement which is not a money purchase arrangement” substitute “ relevant arrangement ”.
- (3) After subsection (1) insert—
- “(1A) In this section “relevant arrangement” means an arrangement that—
- (a) is not a money purchase arrangement, or
- (b) is a collective money purchase arrangement.”
- (4) In subsection (2), in the definition of APB, for “arrangements which are not money purchase arrangements” substitute “ relevant arrangements ”.
- (5) In subsection (3), in paragraphs (a) and (b), for “not money purchase arrangements” substitute “ relevant arrangements ”.

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I7 Sch. 5 para. 8 in force at 1.8.2022 for the purposes of the amendments made by that paragraph by S.I. 2022/874, reg. 2

9 (1) Section 212 (valuation of uncrystallised rights for purposes of section 210) is amended as follows.

(2) In subsection (3)—

- (a) in paragraph (b), for “other than a cash balance arrangement” substitute “that is neither a cash balance arrangement nor a collective money purchase arrangement”;
- (b) in paragraph (c), after “defined benefits arrangement” insert “or a collective money purchase arrangement”.

(3) For subsections (7) to (10) substitute—

“(7) If this subsection applies, the value of the member's uncrystallised rights under the arrangement on the date (“the hybrid value”) is to be calculated by taking the following steps—

Step 1 In relation to each relevant variety of benefits, calculate (in accordance with the preceding provisions of this section) the value of the member's uncrystallised rights on the date, assuming that benefits of that variety are provided under the arrangement.

Step 2 The hybrid value is the higher or highest of the amounts determined under step 1.”

(8) For the purposes of this section a variety of benefits is “relevant” in relation to a hybrid arrangement if, in any circumstances, benefits of that variety may be provided under the arrangement.

(9) In this section “variety of benefits” means a variety of benefits specified in section 152(10).”

Commencement Information

I8 Sch. 5 para. 9 in force at 1.8.2022 for the purposes of the amendments made by that paragraph by S.I. 2022/874, reg. 2

10 (1) Section 216 (benefit crystallisation events and amounts crystallised) is amended as follows.

(2) In subsection (1), in the table, in column 1—

- (a) in benefit crystallisation event 5, after “defined benefit arrangement” insert “, or a collective money purchase arrangement, ”;
- (b) in benefit crystallisation event 5B, after “money purchase arrangement” insert “, other than a collective money purchase arrangement, ”.

Commencement Information

I9 Sch. 5 para. 10 in force at 1.8.2022 for the purposes of the amendments made by that paragraph by S.I. 2022/874, reg. 2

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- 11 (1) Section 223 (non-residence: other arrangements) is amended as follows.
- (2) In subsection (5)—
- (a) after paragraph (a) insert—
- “(aa) what would be the other money purchase arrangement non-residence factor (under that section) if the arrangement were a collective money purchase arrangement.”;
- (b) in paragraph (b), for “any other sort of money purchase arrangement” substitute “ a money purchase arrangement other than a cash balance arrangement or a collective money purchase arrangement ”.

Commencement Information

I10 [Sch. 5 para. 11](#) in force at 1.8.2022 for the purposes of the amendments made by that paragraph by [S.I. 2022/874, reg. 2](#)

- 12 (1) Section 226 (overseas scheme transfers: other arrangements) is amended as follows.
- (2) In subsection (5)—
- (a) after paragraph (a) insert—
- “(aa) what would be the other money purchase relevant relievable amount (under that section) if that arrangement had been a collective money purchase arrangement.”;
- (b) in paragraph (b), for “any other sort of money purchase arrangement” substitute “ a money purchase arrangement other than a cash balance arrangement or a collective money purchase arrangement ”.

Commencement Information

I11 [Sch. 5 para. 12](#) in force at 1.8.2022 for the purposes of the amendments made by that paragraph by [S.I. 2022/874, reg. 2](#)

- 13 (1) Section 227B (the alternative chargeable amount) is amended as follows.
- (2) In subsection (2), for “AA” (in both places it occurs) substitute “ X ”.
- (3) In subsection (5), in paragraph (b)(i), after “A” insert “ , AA ”.
- (4) In subsection (5), in paragraph (b)(ii)—
- (a) after “greater” insert “ or greatest ”;
- (b) after “A” insert “ , AA ”;
- (c) for “both” substitute “ at least two of those amounts ”.
- (5) In subsection (5), in the closing words—
- (a) after “A” (in both places it occurs) insert “ , AA ”;
- (b) after “greater” insert “ or greatest ”.

Commencement Information

I12 [Sch. 5 para. 13](#) in force at 1.8.2022 for the purposes of the amendments made by that paragraph by [S.I. 2022/874, reg. 2](#)

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- 14 (1) Section 227C (meaning of “money-purchase input sub-total”) is amended as follows.
 (2) In subsection (1)(b)(ii), after “A” insert “, AA ”.

Commencement Information

I13 [Sch. 5 para. 14](#) in force at 1.8.2022 for the purposes of the amendments made by that paragraph by [S.I. 2022/874, reg. 2](#)

- 15 (1) Section 227D (pension input amounts in respect of certain hybrid arrangements) is amended as follows.
 (2) In subsection (2)(a)—
 (a) after “greater” insert “ or greatest ”;
 (b) after “A” insert “, AA ”.

Commencement Information

I14 [Sch. 5 para. 15](#) in force at 1.8.2022 for the purposes of the amendments made by that paragraph by [S.I. 2022/874, reg. 2](#)

- 16 (1) Section 227F (pension input periods in which rights are first flexibly accessed) is amended as follows.
 (2) In subsection (5)(b), after “input amount” insert “ AA or ”.

Commencement Information

I15 [Sch. 5 para. 16](#) in force at 1.8.2022 for the purposes of the amendments made by that paragraph by [S.I. 2022/874, reg. 2](#)

- 17 (1) Section 227G (when pension rights are first flexibly accessed) is amended as follows.
 (2) In subsection (9)(a), for “money purchase” substitute “ relevant ”.
 (3) After subsection (9) insert—
 “(9A) In subsection (9), “relevant arrangement” means a money purchase arrangement that is not a collective money purchase arrangement.”

Commencement Information

I16 [Sch. 5 para. 17](#) in force at 1.8.2022 for the purposes of the amendments made by that paragraph by [S.I. 2022/874, reg. 2](#)

- 18 (1) Section 237 (hybrid arrangements) is amended as follows.
 (2) In subsection (1), after “amounts A,” insert “ AA, ”.
 (3) After subsection (3) insert—
 “(3A) Input amount AA is what would be the pension input amount under section 233 if the benefits provided to or in respect of the individual under the arrangement were collective money purchase benefits.”

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- (4) In subsection (4), for “other money purchase benefits” substitute “ money purchase benefits that are not cash balance benefits or collective money purchase benefits ”.

Commencement Information

I17 [Sch. 5 para. 18](#) in force at 1.8.2022 for the purposes of the amendments made by that paragraph by [S.I. 2022/874, reg. 2](#)

- 19 In section 280 (abbreviations and general index), in the table in subsection (2) insert at the appropriate places—

“collective money purchase arrangement	section 152(3A)”
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“collective money purchase benefits	section 152(5A)”.
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Commencement Information

I18 [Sch. 5 para. 19](#) in force at 1.8.2022 for the purposes of the amendments made by that paragraph by [S.I. 2022/874, reg. 2](#)

- 20 (1) Schedule 28 (authorised pensions: supplementary) is amended as follows.

- (2) In paragraph 2 (scheme pension), after sub-paragraph (8) insert—

“(9) Where, under a collective money purchase arrangement—

- (a) a scheme pension has become payable to the member, and
- (b) the member subsequently becomes entitled to income payable by virtue of section 36(7)(b) or 87(7)(b) of the Pension Schemes Act 2021 (periodic income paid while pursuing continuity option 1),

the income so payable is to be treated for the purposes of this Part as a continuation of the scheme pension.

(10) Where, under a collective money purchase arrangement—

- (a) the member becomes entitled to income payable by virtue of section 36(7)(b) or 87(7)(b) of the Pension Schemes Act 2021 (periodic income paid while pursuing continuity option 1), and
- (b) no scheme pension was previously payable to the member,

the income so payable is to be treated for the purposes of this Part as a scheme pension.”

- (3) In paragraph 2A (scheme pension), after sub-paragraph (3) insert—

“(3A) But for the purposes of sub-paragraph (2)(b), no substantial reduction occurs in the rate of a pension if—

- (a) the pension is payable in respect of a collective money purchase arrangement, and
- (b) the reduction is in accordance with the rules of the scheme.”

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I19 Sch. 5 para. 20 in force at 1.8.2022 for the purposes of the amendments made by that paragraph by S.I. 2022/874, reg. 2

- 21 (1) Schedule 29 (authorised lump sums - supplementary) is amended as follows.
- (2) In paragraph 1 (pension commencement lump sum)—
 - (a) in sub-paragraph (1)(f), for “sub-paragraph (4)” substitute “ sub-paragraphs (4) and (4A) ”;
 - ^{F1}(b)
- (3) In paragraph 2 (pension commencement lump sum), in sub-paragraph (6B), after “money purchase arrangement” insert “ that is not a collective money purchase arrangement ”.
- (4) In paragraph 3 (pension commencement lump sum: definition of “the applicable amount” for the purposes of paragraph 2(5))—
 - (a) in sub-paragraph (6), after “defined benefits arrangement” insert “ or a collective money purchase arrangement ”;
 - (b) in sub-paragraph (7A), after “money purchase arrangement” insert “ that is not a collective money purchase arrangement ”.
- (5) In paragraph 4A (uncrystallised funds pension lump sum), in sub-paragraph (1)(a), after “money purchase arrangement” insert “ that is not a collective money purchase arrangement ”.
- (6) In paragraph 7 (trivial commutation lump sum), in sub-paragraph (1)—
 - (a) in paragraph (aa)—
 - (i) after “defined benefits arrangement,” insert “ or in respect of a collective money purchase arrangement, ”;
 - (ii) after “under a money purchase arrangement” insert “ that is not a collective money purchase arrangement ”;
 - (iii) for “or partly in respect of the former and partly in respect of the latter” substitute “ or in respect of any combination of such arrangements and scheme pensions ”;
 - (b) in paragraph (d), after “defined benefits” insert “ , and any entitlement to collective money purchase benefits, ”.

Textual Amendments

F1 Sch. 5 para. 21(2)(b) omitted (11.7.2023) by virtue of Finance (No. 2) Act 2023 (c. 30), s. 24(9)(a)

Commencement Information

I20 Sch. 5 para. 21 in force at 1.8.2022 for the purposes of the amendments made by that paragraph by S.I. 2022/874, reg. 2

- 22 (1) Schedule 32 (benefit crystallisation events - supplementary) is amended as follows.
- ^{F2}(2)

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- (3) Omit paragraph 5 (benefit crystallisation events 1 and 5: hybrid arrangements) together with the italic cross heading preceding it.
- (4) Paragraph 10 (benefit crystallisation event 3: excepted circumstances) is amended in accordance with sub-paragraphs (5) to (7).
- (5) Before sub-paragraph (1) insert—
 - “(A1) For the purposes of benefit crystallisation event 3 “excepted circumstances” exist if condition A or B is met.”
- (6) In sub-paragraph (1)—
 - (a) for the opening words substitute “ Condition A is that— ”;
 - (b) before paragraph (a) insert—
 - “(za) the entitlement to payment of a scheme pension at an increased annual rate is under an arrangement that is not a collective money purchase arrangement.”;
 - (c) in paragraph (a) omit “that”;
 - (d) in paragraph (b) omit “that” the first time it occurs.
- (7) After sub-paragraph (4) insert—
 - “(5) Condition B is that—
 - (a) the entitlement to payment of a scheme pension at an increased annual rate is under an arrangement that is a collective money purchase arrangement, and
 - (b) at the time when the annual rate of the individual's pension is increased, all the scheme pensions being paid under collective money purchase arrangements are increased at the same rate.”
- (8) After paragraph 14 insert—

“Benefit crystallisation events 5 and 5B: hybrid arrangements

- 14ZA1) This paragraph applies where, immediately before the individual reaches the age of 75 (“the relevant time”), there is under any of the relevant pension schemes a hybrid arrangement relating to the individual.
- (2) If defined benefits or collective money purchase benefits are a relevant variety of benefits, benefit crystallisation event 5 applies in relation to that variety of benefits as if, at the relevant time, circumstances were such that benefits of that variety were to be provided under the arrangement.
- (3) If cash balance benefits, or money purchase benefits that are neither cash balance benefits nor collective money purchase benefits, are a relevant variety of benefits, benefit crystallisation event 5B applies in relation to that variety of benefits as if, at the relevant time, circumstances were such that benefits of that variety were to be provided under the arrangement.
- (4) The amount crystallised on the individual reaching the age of 75 is the greater or (as the case may be) greatest of the amounts crystallised by the benefit crystallisation event or events applying by virtue of sub-paragraphs (2) and (3).

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(5) For the purposes of this paragraph a variety of benefits is “relevant” in relation to a hybrid arrangement if, in any circumstances, benefits of that variety may be provided under the arrangement.

(6) In this paragraph “variety of benefits” means a variety of benefits specified in section 152(10).”

(9) After paragraph 14ZA insert—

*“Benefit crystallisation event 5A: “amounts
 crystallised by benefit crystallisation event 1”*

14ZB In determining, for the purposes of benefit crystallisation event 5A, an amount crystallised by benefit crystallisation event 1 in relation to the arrangement and the individual, any reduction made for the purposes of that crystallisation event under paragraph 2B (prevention of overlap) is to be disregarded.”

Textual Amendments

F2 Sch. 5 para. 22(2) omitted (11.7.2023) by virtue of Finance (No. 2) Act 2023 (c. 30), s. 24(9)(b)

Commencement Information

I21 Sch. 5 para. 22 in force at 1.8.2022 for the purposes of the amendments made by that paragraph by S.I. 2022/874, reg. 2

- 23 (1) Schedule 36 (transitional provision and savings) is amended as follows.
- (2) In paragraph 29 (lump sum rights exceeding £375,000: primary and enhanced protection), in sub-paragraph (3)—
- (a) in the substitute paragraph 3(6) of Schedule 29, after “ defined benefits arrangement ” insert “ or a collective money purchase arrangement ”;
 - (b) in the substitute paragraph 3(7A) of Schedule 29, after “ money purchase arrangement ” insert “ that is not a collective money purchase arrangement ”.
- (3) In paragraph 34 (entitlement to lump sums exceeding 25% of uncrystallised rights), in sub-paragraph (2), in the substitute paragraph 2(7AA) of Schedule 29, after “ money purchase arrangement ” insert “ that is not a collective money purchase arrangement ”.

Commencement Information

I22 Sch. 5 para. 23 in force at 1.8.2022 for the purposes of the amendments made by that paragraph by S.I. 2022/874, reg. 2

- 24 (1) In the Registered Pension Schemes (Transfer of Sums and Assets) Regulations 2006 (S.I. 2006/499), regulation 12 (member's drawdown pension fund or flexi-access pension fund) is amended as follows.
- (2) In Table 3, after the entry for section 216(1), benefit crystallisation event 1 insert—

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“Section 216(1), benefit crystallisation event 5A (benefit crystallisation event on individual reaching the age of 75, having sums or assets designated as available for the payment of a drawdown pension) To determine, for the purposes of benefit crystallisation event 5A, the aggregate of amounts crystallised by benefit crystallisation event 1 by reference to the old arrangement (so that, in an appropriate case, paragraph 14ZB of Schedule 32 applies).”

Commencement Information

I23 [Sch. 5 para. 24](#) in force at 1.8.2022 for the purposes of the amendments made by that paragraph by [S.I. 2022/874, reg. 2](#)

Changes to legislation:

There are currently no known outstanding effects for the Finance Act 2021, PART 1.