Finance (No.2) Act 1987

1987 CHAPTER 51

PART I

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER II

PERSONAL PENSION SCHEMES

Restrictions on approval: establishment and benefits

20 Establishment of schemes.

(1) The Board shall not approve a personal pension scheme established by any person other than—

- (a) a person who is authorised under Chapter III of Part I of the Financial Services Act 1986 to carry on investment business, and who carries on business of a kind mentioned in subsection (2) below;
- (b) a building society within the meaning of the Building Societies Act 1986;
- (c) an institution authorised under the Banking Act 1987;
- (d) a recognised bank or licensed institution within the meaning of the Banking Act 1979.

(2) The kinds of business referred to in subsection (1)(a) above are—

- (a) issuing insurance policies or annuity contracts;
- (b) managing unit trust schemes authorised under section 78(1) of the Financial Services Act 1986.

(3) Subsection (1) above shall not apply in relation to a scheme approved by the Board by virtue of section 226(5) of the Taxes Act if it is established before 4th January 1988.

(4) The Treasury may by order amend this section as it has effect for the time being.

(5) An order under this section shall be made by statutory instrument, which shall be subject to annulment in pursuance of a resolution of the House of Commons.

21 Scope of benefits.

(1) The Board shall not approve a personal pension scheme which makes provision for any benefit other than—

(a) the payment of an annuity satisfying the conditions in section 22 below;

(b) the payment to a member of a lump sum satisfying the conditions in section 23 below;

(c) the payment after the death of a member of an annuity satisfying the conditions in section 24 below;

(d) the payment on the death of a member of a lump sum satisfying the conditions in section 25 below;

(e) the payment on the death of a member of a lump sum satisfying the conditions in section 26 below.

(2) Subsection (1) above shall not prevent the approval of a scheme which makes provision for insurance against a risk relating to the non-payment of contributions.

22 Annuity to member.

(1) The annuity must be payable by an authorised insurance company which may be chosen by the member.

(2) Subject to subsection (3) below, the annuity must not commence before the member attains the age of 50 or after he attains the age of 75.

(3) The annuity may commence before the member attains the age of 50 if—

(a) it is payable on his becoming incapable through infirmity of body or mind of carrying on his own occupation or any occupation of a similar nature for which he is trained or fitted, or

(b) the Board are satisfied that his occupation is one in which persons customarily retire before that age.

(4) Subject to subsection (5) below, the annuity must be payable to the member for his life.

(5) The annuity may continue for a term certain not exceeding ten years, notwithstanding the member's death within that term; and for this purpose an annuity shall be regarded as payable for a term certain notwithstanding that it may terminate, after the death of the member and before the expiry of that term, on the happening of any of the following—

(a) the marriage of the annuitant;

(b) his attaining the age of eighteen;

(c) the later of his attaining that age and ceasing to be in full-time education.

(6) The annuity must not be capable of assignment or surrender, except that an annuity for a term certain may be assigned by will or by the annuitant's personal representatives in the distribution of his estate so as to give effect to a testamentary disposition, or to the rights of those entitled on an intestacy, or to an appropriation of it to a legacy or to a share or interest in the estate.

23 Lump sum to member.

(1) The lump sum must be payable only if the member so elects on or before the date on which an annuity satisfying the conditions in section 22 above is first payable to him under the arrangements made in accordance with the scheme.

(2) The lump sum must be payable when that annuity is first payable.

(3) The lump sum must not exceed one quarter of the total value, at the time when the lump sum is paid, of the benefits for the member provided for by the arrangements made by him in accordance with the scheme.

(4) The lump sum must not exceed £150,000 or such other sum as may for the time being be specified in an order made by the Treasury; and an order under this subsection shall be made by statutory instrument, which shall be subject to annulment in pursuance of a resolution of the House of Commons.

(5) The right to payment of the lump sum must not be capable of assignment or surrender.

24 Annuity after death of member.

(1) The annuity must be payable by an authorised insurance company which may be chosen by the member or by the annuitant.

(2) The annuity must be payable to the surviving spouse of the member, or to a person who was at the member's death a dependant of his.

(3) The aggregate annual amount (or, if that amount varies, the aggregate of the initial annual amounts) of all annuities to which this section applies and which are payable under the same personal pension arrangements shall not exceed—

(a) where before his death the member was in receipt of an annuity under the arrangements, the annual amount (or if it varied, the highest annual amount) of that annuity, or

(b) where paragraph (a) above does not apply, the highest annual amount of the annuity that would have been payable under the arrangements to the member (ignoring any entitlement of his to commute part of it for a lump sum) if it had vested on the day before his death.

(4) Subject to subsections (5) to (9) below, the annuity must be payable for the life of the annuitant.

(5) Where the annuity is payable to the surviving spouse of the member and at the time of the member's death the surviving spouse is under the age of 60, the annuity may be deferred to a time not later than—

(a) the time when the surviving spouse attains that age, or

(b) where the member's annuity is payable to the surviving spouse for a term certain as mentioned in section 22(5) above and the surviving spouse attains the age of 60 before the time when the member's annuity terminates, that time.

(6) The annuity may cease to be payable on the marriage of the annuitant.

(7) Where the annuity is payable to the surviving spouse of the member, it may cease before the death of the surviving spouse if—

(a) the member was survived by one or more dependants under the age of 18 and at the time of the member's death the surviving spouse was under the age of 45, and

(b) at some time before the surviving spouse attains that age no such dependant remains under the age of 18.

(8) Where the annuity is payable to a person who is under the age of 18 when it is first payable, it must cease to be payable either—

(a) on his attaining that age, or

(b) on the later of his attaining that age and ceasing to be in full-time education,

unless he was a dependant of the member otherwise than by reason only that he was under the age of 18.

(9) The annuity may continue for a term certain not exceeding ten years, notwithstanding the original annuitant's death within that term; and for this purpose an annuity shall be regarded as payable for a term certain notwithstanding that it may terminate, after the death of the original annuitant and before the expiry of that term, on the happening of any of the following—

(a) the marriage of the annuitant to whom it is payable;

(b) his attaining the age of eighteen;

(c) the later of his attaining that age and ceasing to be in full-time education.

(10) The annuity must not be capable of assignment or surrender, except that an annuity for a term certain may be assigned by will or by the annuitant's personal representatives in the distribution of his estate so as to give effect to a testamentary disposition, or to the rights of those entitled on an intestacy, or to an appropriation of it to a legacy or to a share or interest in the estate.

25 Lump sum on death of member.

(1) The lump sum must be payable by an authorised insurance company.

(2) The lump sum must be payable on the death of the member before he attains the age of 75.

26 Return of contributions on death of member.

(1) The lump sum must be payable only if no annuity satisfying the conditions in either section 22 or section 24 above has become payable.

(2) Subject to subsection (3) below, the lump sum must represent no more than the return of contributions, together with reasonable interest on contributions or bonuses out of profits.

(3) To the extent that contributions are invested in units under a unit trust scheme, the lump sum may represent the sale or redemption price of the units.