SCHEDULES

SCHEDULE 11

Section 58.

PERSONAL PENSIONS: INCOME WITHDRAWALS

Introductory

1 (1) Chapter IV of Part XIV of the Taxes Act 1988 (personal pension schemes) is amended as follows.

(2) The amendments have effect in relation to approvals, of schemes or amendments, given under that Chapter after the passing of this Act.

(3) They do not affect any approval previously given.

Interpretation

2 (1) Section 630 (interpretation) is amended as follows.

(2) Make the present provision subsection (1) and insert the following definitions at the appropriate places—

"income withdrawal" means a payment of income, under arrangements made in accordance with a personal pension scheme, otherwise than by way of an annuity;

"pension date", in relation to any personal pension arrangements, means the date determined in accordance with the arrangements on which—

(a) an annuity such as is mentioned in section 634 is first payable, or

(b) the member elects to defer the purchase of such an annuity and to make income withdrawals in accordance with section 634A;

and in the definition of "personal pension scheme" after "annuities" insert " , income withdrawals ".

(3) After that subsection insert—

"(2) For the purposes of this Chapter the annual amount of the annuity which would have been purchasable by a person on any date shall be calculated by reference to—

(a) the value on that date, determined by or on behalf of the scheme administrator, of the fund from which income withdrawals are to be or have been made by him under the arrangements in question, and

(b) the current published tables of rates of annuities prepared for the purposes of this Chapter by the Government Actuary.

(3) The reference in subsection (2)(a) above to the value of the fund from which income withdrawals are to be or have been made under any personal pension arrangements is to the value of the accrued rights to which the person concerned is entitled conferring prospective entitlement to benefits under those arrangements.

Where a lump sum falls to be paid on the date in question, the reference is to the value of the fund after allowing for that payment.

(4) The Board may make provision by regulations as to the basis on which the tables mentioned in subsection (2)(b) above are to be prepared and the manner in which they are to be applied.”.

Conditions of approval: benefits that may be provided

3 (1) Section 633(1) (conditions of approval: benefits that may be provided) is amended as follows.

(2) In paragraph (a) (annuity to member) after “section 634” insert “ or income withdrawals with respect to which the conditions in section 634A are satisfied ”.

(3) In paragraph (c) (annuity after death of member) after “section 636” insert “ or income withdrawals with respect to which the conditions in section 636A are satisfied ”.

(4) In paragraph (d) (lump sum on death of member) for the words from “either” to the end substitute “ the conditions in section 637 (death benefit); ”.

(5) After that paragraph insert—

“(e) the payment on or after the death of a member of a lump sum satisfying the conditions in section 637A (return of contributions).”.

Income withdrawals

4 After section 634 (annuity to member) insert—

“**634A Income withdrawals by member.**

(1) Where a member elects to defer the purchase of an annuity such as is mentioned in section 634, income withdrawals may be made by him during the period of deferral, subject as follows.

(2) Income withdrawals must not be made before the member attains the age of 50, unless—

(a) they are available 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.

(3) Income withdrawals must not be made after the member attains the age of 75.

(4) The aggregate amount of income withdrawals by a member in each successive period of twelve months beginning with his pension date must be not less than 35 per cent. or more than 100 per cent. of the annual amount of the annuity which would have been purchasable by him on the relevant reference date.

(5) For the purposes of this section the relevant reference date for the first three years is the member’s pension date, and for each succeeding period of three years is the first day of that period.

Status: Point in time view as at 31/07/1998.
Changes to legislation: There are currently no known outstanding effects for the Finance Act 1995, SCHEDULE 11. (See end of Document for details)

(6) The right to income withdrawals must not be capable of assignment or surrender.".

Lump sum to member

5 (1) Section 635 (lump sum to member) is amended as follows.

(2) In subsection (1) (date of election for lump sum), for the words from "the date on which" to the end substitute " his pension date under the arrangements in question ".

(3) In subsection (2) (date of payment of lump sum), for the words "when that annuity is first payable" substitute " on the date which is his pension date under the arrangements in question ".

(4) In subsection (3) (limit on amount of lump sum)—

(a) in paragraph (a) for "the arrangements made by the member in accordance with the scheme" substitute " the arrangements in question "; and

(b) in paragraph (b) for "under the scheme" substitute " under those arrangements ".

Annuity after death of member

6 In section 636 (annuity after death of member), in subsection (3) (limit on aggregate annual amount), for "vested" substitute " been purchased ".

Income withdrawals after death of member

7 After section 636 (annuity after death of member) insert—

"**636A Income withdrawals after death of member.**

(1) Where a person entitled to such an annuity as is mentioned in section 636 elects to defer the purchase of the annuity, income withdrawals may be made by him during the period of deferral, subject as follows.

(2) No such deferral may be made, and accordingly income withdrawals may not be made, if the person concerned elects in accordance with section 636(5)(a) to defer the purchase of an annuity.

(3) Income withdrawals must not be made after the person concerned if he had purchased such an annuity as is mentioned in section 636 would have ceased to be entitled to payments under it.

(4) Income withdrawals must not in any event be made after the member would have attained the age of 75 or, if earlier, after the person concerned attains the age of 75.

(5) The aggregate amount of income withdrawals by a person in each successive period of twelve months beginning with the date of the member's death must be not less than 35 per cent. or more than 100 per cent. of the annual amount of the annuity which would have been purchasable by him on the relevant reference date.

(6) For the purposes of this section the relevant reference date for the first three years is the date of the member's death, and for each succeeding period of three years is the first day of that period.

(7) The right to income withdrawals must not be capable of assignment or surrender.".

Lump sum on death of member

8 For section 637 (lump sum on death of member) substitute—

"**637 Death benefit.**

The lump sum—

(a) must be payable on the death of the member before he attains the age of 75, and

(b) must be payable by an authorised insurance company.

637A Return of contributions on or after death of member.

(1) The lump sum must be payable on or after the death of the member and represent no more than the return of contributions together with reasonable interest on contributions or bonuses out of profits, after allowing for any income withdrawals.

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.

(2) The lump sum must be payable only if—

(a) no annuity has been purchased by the member under the arrangements in question,

(b) no such annuity as is mentioned in section 636 has been purchased by the person to whom the payment is made, and

(c) the person to whom the payment is made has not elected in accordance with subsection (5)(a) of section 636 to defer the purchase of such an annuity as is mentioned in that section.

(3) Where the member's death occurs after the date which is his pension date in relation to the arrangements in question, the lump sum must be payable not later than two years after the death.".

Other restrictions on approval

9 In section 638 (other restrictions on approval), after subsection (7) insert—

"(7A) The Board shall not approve a personal pension scheme unless it prohibits, except in such cases as may be prescribed by regulations made by the Board—

(a) the acceptance of further contributions, and

(b) the making of transfer payments,

after the date which is the member's pension date in relation to the arrangements in question.".

Maximum amount of deductions

10 In section 640 (maximum amount of deductions), in subsection (3) (maximum amount to secure death benefit) for "section 637(1)" substitute " section 637 ".

Treatment of personal pension income

11 In section 643 (employer's contributions and personal pension income, &c.), after subsection (4) insert—

"(5) Income withdrawals under approved personal pension arrangements shall be assessable to tax under Schedule E (and section 203 shall apply accordingly) and shall be treated as earned income of the recipient.".

Tax charge on return of contributions after pension date

12 Omit the heading before section 648A and after that section insert—

"**648B Return of contributions after pension date.**

(1) Tax shall be charged under this section on any payment to a person under approved personal pension arrangements of such a lump sum as is mentioned in section 637A in a case where the member's death occurred after his pension date in relation to the arrangement in question.

(2) Where a payment is chargeable to tax under this section, the scheme administrator shall be charged to income tax under Case VI of Schedule D and, subject to subsection (3) below, the rate of tax shall be 35 per cent.

(3) The Treasury may by order from time to time increase or decrease the rate of tax under subsection (2) above.

(4) The tax shall be charged on the amount paid or, if the rules of the scheme permit the scheme administrator to deduct the tax before payment, on the amount before deduction of tax; and the amount so charged to tax shall not be treated as income for any other purpose of the Tax Acts.".