Finance Act 1996

1996 CHAPTER 8

PART IV

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER VI

MISCELLANEOUS PROVISIONS

Personal pension schemes

172 Return of contributions on or after death of member.

(1) In section 633(1) of the Taxes Act 1988 (Board not to approve a personal pension scheme which makes provision for any benefit other than those specified in paragraphs (a) to (e)) in paragraph (e) (payment on or after the death of a member of a lump sum satisfying the conditions in section 637A) for the words following "a lump sum" there shall be substituted " with respect to which the conditions in section 637A (return of contributions) are satisfied ".

(2) For section 637A of that Act (return of contributions on or after death of member) there shall be substituted—

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

(1) The lump sum payable under the arrangements in question (or, where two or more lump sums are so payable, those lump sums taken together) must represent no more than the return of contributions together with reasonable interest on contributions or bonuses out of profits, after allowing for—

(a) any income withdrawals, and

(b) any purchases of annuities such as are mentioned in section 636.

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

(2) A lump sum must be payable only if, in the case of the arrangements in question,—

(a) no such annuity as is mentioned in section 634 has been purchased by the member;

(b) no such annuity as is mentioned in section 636 has been purchased in respect of the relevant interest; and

(c) no election in accordance with subsection (5)(a) of section 636 has been made in respect of the relevant interest.

(3) Where the member's death occurs after the date which is his pension date in relation to the arrangements in question, a lump sum must not be payable more than two years after the death unless, in the case of that lump sum, the person entitled to such an annuity as is mentioned in section 636 in respect of the relevant interest—

(a) has elected in accordance with section 636A to defer the purchase of an annuity; and

(b) has died during the period of deferral.

(4) In this section "the relevant interest" means the interest, under the arrangements in question, of the person to whom or at whose direction the payment in question is made, except where there are two or more such interests, in which case it means that one of them in respect of which the payment is made.

(5) Where, under the arrangements in question, there is a succession of interests, any reference in subsection (2) or (3) above to the relevant interest includes a reference to any interest (other than that of the member) in relation to which the relevant interest is a successive interest."

(3) This section—

(a) has effect in relation to approvals, of schemes or amendments, given under Chapter IV of Part XIV of the Taxes Act 1988 (personal pension schemes) after the passing of this Act; and

(b) does not affect any approval previously given.

Status:
Point in time view as at 29/04/1996.

Changes to legislation:
There are currently no known outstanding effects for the Finance Act 1996, Cross Heading: Personal pension schemes.