



# Finance Act 2004

## 2004 CHAPTER 12

### PART 4

#### PENSION SCHEMES ETC

### CHAPTER 5

#### REGISTERED PENSION SCHEMES: TAX CHARGES

##### *Annual allowance charge*

#### **227 Annual allowance charge**

- (1) A charge to income tax, to be known as the annual allowance charge, arises [<sup>F1</sup>where an individual who is a member of one or more registered pension schemes has a chargeable amount for a tax year.]

[<sup>F2</sup>(1A) The chargeable amount (if any) is to be determined in accordance with section 227ZA.]

<sup>F3</sup>(2) .....

<sup>F3</sup>(3) .....

- (4) The annual allowance charge is a charge at the [<sup>F4</sup>appropriate rate] in respect of [<sup>F5</sup>the chargeable amount.]

<sup>F6</sup> .....

[<sup>F7</sup>(4A) The appropriate rate is—

- (a) the basic rate [<sup>F8</sup>or, in the case of a Scottish taxpayer, the Scottish basic rate] in relation to so much (if any) of the [<sup>F9</sup>chargeable amount] as, when added to the individual's reduced net income for the tax year, does not exceed the basic rate limit for the tax year,

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- (b) the higher rate [<sup>F10</sup>or, in the case of a Scottish taxpayer, the Scottish higher rate] in relation to so much (if any) of the [<sup>F9</sup>chargeable amount] as, when so added, exceeds the basic rate limit for the tax year but does not exceed the higher rate limit for the tax year, and
- (c) the additional rate [<sup>F11</sup>or, in the case of a Scottish taxpayer, the Scottish additional rate] in relation to so much (if any) of the [<sup>F9</sup>chargeable amount] as, when so added, exceeds the higher rate limit for the tax year.
- (4B) The individual's reduced net income for the tax year is the amount after taking Step 3 in section 23 of ITA 2007 in the case of the individual for the tax year.
- (4C) Where the basic rate limit or the higher rate limit for the tax year is (in accordance with section 192 of this Act or section 414 of ITA 2007) increased in the case of the individual, the references to the limit in subsection (4A) are to the limit as so increased.]
- (5) [<sup>F12</sup>The chargeable amount] is not to be treated as income for any purpose of the Tax Acts.
- <sup>F13</sup>(5A) .....
- <sup>F13</sup>(5B) .....
- (6) The following sections make further provision about the annual allowance charge—  
 [<sup>F14</sup>sections 227ZA and 227B (chargeable amount),]  
 [<sup>F14</sup>sections 227C to 227G (supplemental provision for calculations under section 227B),]  
 section 228 (annual allowance),  
 section [<sup>F15</sup>229(1)] (total pension input amount to be aggregate of pension input amounts for pension input periods ending in tax year),  
 [<sup>F16</sup>section 229(2) to (4) (how to arrive at the pension input amount in respect of an arrangement),]  
 sections 230 to 237 (pension input amounts),  
 [<sup>F17</sup>sections 237A to 237F (persons liable to charge),] and  
 section 238 (pension input period).
- (7) Schedule 36 contains (in Part 4) transitional provision about the annual allowance charge.

#### Textual Amendments

- F1** Words in s. 227(1) substituted (17.12.2014) (with effect in accordance with Sch. 1 para. 63(8) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 63\(2\)](#)
- F2** S. 227(1A) inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 63(8) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 63\(3\)](#)
- F3** S. 227(2)(3) omitted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 3\(2\)](#)
- F4** Words in s. 227(4) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 3\(3\)](#)
- F5** Words in s. 227(4) substituted (17.12.2014) (with effect in accordance with Sch. 1 para. 63(8) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 63\(4\)](#)
- F6** Words in s. 227(4) omitted (17.12.2014) (with effect in accordance with Sch. 1 para. 66(3) of the amending Act) by virtue of [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 66\(2\)\(a\)](#)

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- F7** S. 227(4A)-(4C) inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 3\(4\)](#)
- F8** Words in s. 227(4A)(a) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Scottish Rate of Income Tax \(Consequential Amendments\) Order 2015 \(S.I. 2015/1810\)](#), arts. 1(1), [7\(2\)\(a\)](#)
- F9** Words in s. 227(4A) substituted (17.12.2014) (with effect in accordance with Sch. 1 para. 63(8) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 63\(5\)](#)
- F10** Words in s. 227(4A)(b) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Scottish Rate of Income Tax \(Consequential Amendments\) Order 2015 \(S.I. 2015/1810\)](#), arts. 1(1), [7\(2\)\(b\)](#)
- F11** Words in s. 227(4A)(c) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Scottish Rate of Income Tax \(Consequential Amendments\) Order 2015 \(S.I. 2015/1810\)](#), arts. 1(1), [7\(2\)\(c\)](#)
- F12** Words in s. 227(5) substituted (17.12.2014) (with effect in accordance with Sch. 1 para. 63(8) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 63\(6\)](#)
- F13** S. 227(5A)(5B) omitted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 3\(5\)](#)
- F14** Words in s. 227(6) inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 63(8) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 63\(7\)\(a\)](#)
- F15** Word in s. 227(6) substituted (17.12.2014) (with effect in accordance with Sch. 1 para. 63(8) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 63\(7\)\(b\)](#)
- F16** Words in s. 227(6) inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 63(8) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 63\(7\)\(c\)](#)
- F17** S. 227(6) entry inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 3\(6\)](#)

#### **Modifications etc. (not altering text)**

- C14** S. 227 modified (6.4.2006) by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\) Regulations 2006 \(S.I. 2006/207\)](#), regs. 1(1), [8](#)
- C15** S. 227 revocation of earlier affecting provision S.I. 2006/207, reg. 8 (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Registered Pension Schemes \(Miscellaneous Amendments\) Regulations 2011 \(S.I. 2011/1751\)](#), regs. 1(1), [12\(2\)](#)
- C16** S. 227 modified (1.4.2012) by [The Postal Services Act 2011 \(Taxation\) Regulations 2012 \(S.I. 2012/764\)](#), regs. 1(1), [24](#); S.I. 2012/687; S.I. 2012/688; S.I. 2012/966

#### **Commencement Information**

- I1** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

### **[<sup>F18</sup>227ZA] The chargeable amount**

- (1) The chargeable amount is the alternative chargeable amount (see section 227B) if—
- (a) the year is—
    - (i) the tax year in which the individual first flexibly accesses pension rights (see section 227G), or
    - (ii) a tax year later than that tax year,
  - (b) the money-purchase input sub-total (see section 227C) exceeds £10,000, and
  - (c) the alternative chargeable amount exceeds the default chargeable amount.
- (2) Otherwise, the chargeable amount is the default chargeable amount.
- (3) The default chargeable amount is the amount (if any) by which—

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- (a) the total pension input amount calculated in accordance with section 229(1), exceeds
- (b) the annual allowance for the year in the case of the individual (see sections 228(1) and 228A).]

**Textual Amendments**

**F18** S. 227ZA inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 64(2) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 64**

**<sup>F19</sup>227A Individuals who meet flexible drawdown conditions**

.....

**Textual Amendments**

**F19** S. 227A omitted (17.12.2014) (with effect in accordance with Sch. 1 para. 66(3) of the amending Act) by virtue of [Taxation of Pensions Act 2014 \(c. 30\)](#), **Sch. 1 para. 66(1)**

**<sup>F20</sup>227B The alternative chargeable amount**

- (1) The alternative chargeable amount is the total of—
  - (a) the amount (if any) by which the defined-benefit input sub-total exceeds the alternative annual allowance, and
  - (b) the amount by which the money-purchase input sub-total exceeds £10,000.

- (2) The alternative annual allowance is—

$$AA - £ 10,000$$

where AA is the annual allowance for the year in the case of the individual (see sections 228(1) and 228A).

- (3) The defined-benefit input sub-total is the total of—
  - (a) the pension input amounts in respect of each defined benefits arrangement relating to the individual under a registered pension scheme of which the individual is a member (see section 229(2)(c)),
  - (b) the pension input amounts in respect of each hybrid arrangement—
    - (i) relating to the individual under a registered pension scheme of which the individual is a member, and
    - (ii) in respect of which the pension input amount is input amount C mentioned in section 237, and
  - (c) any amounts required to be included by section 227E(3) or 227F(4) or (6) (pension input periods that end in the year but before the day on which rights are first flexibly accessed or that end in the year and contain that day).
- (4) Subsection (3)(b) is subject to section 227D (pension input amounts for certain hybrid arrangements).
- (5) If, in the case of a hybrid arrangement, input amount C mentioned in section 237—
  - (a) is a relevant input amount for the purposes of section 237, and

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- (b) is equal to—
- (i) input amount A or B mentioned in section 237 if that is the only other relevant input amount for the purposes of section 237, or
  - (ii) the greater of input amounts A and B mentioned in section 237 if both are relevant input amounts for the purposes of section 237,
- the pension input amount in respect of the arrangement is, for the purposes of subsection (3)(b) and sections 227C(1)(b) and 227D(1)(c), treated as being input amount A or B or, as the case may be, the greater of input amounts A and B (and, in either case, not input amount C).

#### Textual Amendments

**F20** Ss. 227B-227G inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 65(2) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 65\(1\)](#)

### 227C Meaning of “money-purchase input sub-total”

- (1) The money-purchase input sub-total is the total of—
- (a) the pension input amounts in respect of each money purchase arrangement relating to the individual under a registered pension scheme of which the individual is a member (see section 229(2)(a) and (b)), and
  - (b) the pension input amounts in respect of each hybrid arrangement—
    - (i) relating to the individual under a registered pension scheme of which the individual is a member, and
    - (ii) in respect of which the pension input amount is input amount A or B mentioned in section 237.
- (2) Subsection (1) is to be read with—
- (a) section 227E(2) (pension input periods that end in the tax year but before the day on which rights are first flexibly accessed), and
  - (b) section 227F(2), (3) and (5) (pension input periods that end in the tax year and contain that day).
- (3) Subsection (1)(b) is to be read with—
- (a) section 227B(5) (hybrid arrangements where input amount C is highest-equal input amount), and
  - (b) section 227D (pension input amounts for certain hybrid arrangements).

#### Textual Amendments

**F20** Ss. 227B-227G inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 65(2) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 65\(1\)](#)

### 227D Pension input amounts in respect of certain hybrid arrangements

- (1) In this section “relevant hybrid arrangement” means a hybrid arrangement—
- (a) relating to the individual under a registered pension scheme of which the individual is a member,

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- (b) made on or after 14 October 2014 or having become a hybrid arrangement (whether or not for the first time) on or after that day, and
  - (c) in respect of which the pension input amount is input amount C mentioned in section 237.
- (2) As respects each relevant hybrid arrangement in the maximising set of relevant hybrid arrangements—
- (a) the pension input amount in respect of the arrangement is for the purposes of sections 227B(3)(b) and 227C(1)(b) treated as being not input amount C mentioned in section 237 but, instead, the greater of such of input amounts A and B mentioned in section 237 as are, for the purposes of section 237, relevant input amounts in the case of the arrangement, and
  - (b) accordingly, the arrangement—
    - (i) is not to be included among the arrangements mentioned in section 227B(3)(b) whose pension input amounts are totalled under section 227B(3), but
    - (ii) is to be included among the arrangements mentioned in section 227C(1)(b) whose pension input amounts are totalled under section 227C(1).
- (3) For the purposes of subsection (2)—
- (a) the maximising set contains no relevant hybrid arrangements,
  - (b) a particular relevant hybrid arrangement makes up that set, or
  - (c) two or more particular relevant hybrid arrangements make up that set,
- if the alternative chargeable amount with the maximising set so made up is not less than it would be with the maximising set made up in any other way.
- (4) In particular, the maximising set may be identified by taking the following steps—
- Step 1* Identify all of the relevant hybrid arrangements.
- Step 2* Identify all of the different combinations of the arrangements identified at Step 1 (including the combination consisting of all of those arrangements, and the combination consisting of none of them, as well as every possible combination of each possible size in between).
- Step 3* For each combination identified at Step 2 calculate what the money-purchase input sub-total would be if each relevant hybrid arrangement in the combination were treated in accordance with the rules in paragraphs (a) and (b) of subsection (2).
- Step 4* If the result of each calculation at Step 3 is less than or equal to £10,000 the chargeable amount is the default chargeable amount.
- Step 5* If the amount calculated at Step 3 for a combination is greater than £10,000 then calculate in accordance with section 227B what the alternative chargeable amount would be if—
- (a) each relevant hybrid arrangement in the combination were treated in accordance with the rules in paragraphs (a) and (b) of subsection (2), and
  - (b) for each relevant hybrid arrangement not in the combination, input amount C mentioned in section 237 were included in the total under section 227B(3).
- Step 6* Identify the highest (or higher) of the amounts calculated at Step 5. The maximising set is made up of each relevant hybrid arrangement in the combination concerned.

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- (5) Subsection (1)(c) is to be read with section 227B(5) (hybrid arrangements where input amount C is highest-equal input amount).
- (6) A hybrid arrangement is not a relevant hybrid arrangement if section 227E(2) applies in the case of that arrangement.

#### Textual Amendments

**F20** Ss. 227B-227G inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 65(2) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 65\(1\)](#)

### 227E Pension input periods ending before rights are first flexibly accessed

- (1) Subsections (2) and (3) apply if, for an arrangement mentioned in section 227C(1), the pension input period ending in the tax year is a period that ends before the individual first flexibly accesses pension rights.
- (2) The pension input amount in respect of the arrangement is for the purposes of section 227C(1) treated as being nil.
- (3) The (actual) pension input amount in respect of the arrangement (see section 229(2)(a), (b) or (d)) is required to be included in the defined-benefit input sub-total calculated under section 227B(3).

#### Textual Amendments

**F20** Ss. 227B-227G inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 65(2) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 65\(1\)](#)

### 227F Pension input periods in which rights are first flexibly accessed

- (1) Subject to subsection (7), subsections (2) to (6) apply if, for an arrangement mentioned in section 227C(1), the pension input period ending in the tax year contains the day on which the individual first flexibly accesses pension rights (whether or not that day is in the tax year).
- (2) If the arrangement is a cash balance arrangement, the pension input amount in respect of that arrangement is for the purposes of section 227C(1)(a) treated as being—

$$F \text{ PIP} \times \text{APIA}$$

where—

APIA is the (actual) pension input amount in respect of the arrangement (see section 229(2)(a)),

F is the number of days in the period—

- (a) beginning with the day after that on which the individual first flexibly accesses pension rights, and
- (b) ending at the end of the pension input period mentioned in subsection (1), and

PIP is the number of days in that pension input period.

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- (3) If the arrangement is a money purchase arrangement other than a cash balance arrangement, the pension input amount in respect of that arrangement is for the purposes of section 227C(1)(a) treated as being the amount in respect of the arrangement that would be arrived at under section 233 for a pension input period—
- (a) beginning with the day after that on which the individual first flexibly accesses pension rights, and
  - (b) ending at the end of the pension input period mentioned in subsection (1).
- (4) If the arrangement is a money purchase arrangement, the amount (if any) by which—
- (a) the (actual) pension input amount in respect of the arrangement (see section 229(2)(a) or (b)), exceeds
  - (b) the amount treated by subsection (2) or (3) as being the pension input amount in respect of the arrangement,
- is required to be included in the defined-benefit input sub-total calculated under section 227B(3).
- (5) If the arrangement is a hybrid arrangement—
- (a) input amount A mentioned in section 237 is for the purposes of sections 227C(1)(b) and 227D(2) treated as being—
 
$$F \text{ PIP} \times \text{AAIAA}$$
 where—
 

AAIAA is the (actual) amount of input amount A for the arrangement,

F is the number of days in the period—

    - (a) beginning with the day after that on which the individual first flexibly accesses pension rights, and
    - (b) ending at the end of the pension input period mentioned in subsection (1), and

PIP is the number of days in that pension input period, and
  - (b) input amount B mentioned in section 237 is for the purposes of sections 227C(1)(b) and 227D(2) treated as being the amount for the arrangement that would be arrived at under section 233 for a pension input period—
    - (i) beginning on the day after that on which the individual first flexibly accesses pension rights, and
    - (ii) ending at the end of the pension input period mentioned in subsection (1).
- (6) If the arrangement is a hybrid arrangement, the amount (if any) by which—
- (a) the (actual) pension input amount in respect of the arrangement (see section 229(2)(d)), exceeds
  - (b) the amount which, in accordance with subsection (5) and section 227D, is for the purposes of section 227C(1)(b) the pension input amount in respect of the arrangement,
- is required to be included in the defined-benefit input sub-total calculated under section 227B(3).
- (7) Subsections (2) to (6) do not apply if section 165(3A) applied in the individual's case to the arrangement, or any other arrangement, at any time before 6 April 2015.



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### Textual Amendments

**F20** Ss. 227B-227G inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 65(2) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 65\(1\)](#)

## 227G When pension rights are first flexibly accessed

- (1) References in sections 227B to 227F to when the individual first flexibly accesses pension rights are to the time, or the earlier or earliest of the times, given for that by the following subsections.
- (2) If—
  - (a) the individual has a member's flexi-access drawdown fund in respect of an arrangement, and
  - (b) the fund came into being—
    - (i) as a result of sums or assets being designated on or after 6 April 2015 as available for the payment of drawdown pension, or
    - (ii) as a result of the operation of paragraph 8D(2) of Schedule 28,the individual first flexibly accesses pension rights immediately before the first qualifying payment is made from the fund (see subsection (10)).
- (3) If section 165(3A) applied in the individual's case to an arrangement at any time before 6 April 2015, the individual first flexibly accesses pension rights at the start of 6 April 2015.
- (4) If—
  - (a) the individual has a member's drawdown pension fund in respect of an arrangement, and
  - (b) the sums and assets that make up the fund become newly-designated funds by the operation of paragraph 8B of Schedule 28,the individual first flexibly accesses pension rights immediately before the first qualifying payment (see subsection (10)) is made from the individual's member's flexi-access drawdown fund in respect of the arrangement (whether that is the payment that triggers the operation of paragraph 8B of Schedule 28 or a subsequent payment).
- (5) If—
  - (a) the individual has a member's drawdown pension fund in respect of an arrangement, and
  - (b) the sums and assets that make up the fund become newly-designated funds by the operation of paragraph 8C of Schedule 28,the individual first flexibly accesses pension rights immediately before the first qualifying payment is made from the individual's member's flexi-access drawdown fund in respect of the arrangement (see subsection (10)).
- (6) The individual first flexibly accesses pension rights immediately before the payment of the first uncrystallised funds pension lump sum paid to the individual.
- (7) If the individual is entitled to payment of a lifetime annuity under a flexible annuity contract (see subsection (8)), the individual first flexibly accesses pension rights immediately before the first payment of the annuity is made.

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- (8) In subsection (7) “flexible annuity contract” means a contract for a lifetime annuity where—
- (a) the annuity is within paragraph 3(1A) of Schedule 28, and
  - (b) the terms of the contract are such that there will or could be decreases in the amount of the annuity other than decreases from time to time allowed by regulations under paragraph 3(1)(d) of Schedule 28 (and any such regulations are to be treated as having effect for this purpose).
- (9) If—
- (a) the individual is entitled to payment of a scheme pension under a money purchase arrangement under a registered pension scheme,
  - (b) the individual became entitled to the scheme pension—
    - (i) on or after 6 April 2015, and
    - (ii) at a time when fewer than 11 other individuals were entitled to the present payment of a scheme pension, or dependants' scheme pension, under the registered pension scheme, and
  - (c) the scheme pension is not payable under an annuity contract treated under section 153(8) or (8A) as having become a registered pension scheme,
- the individual first flexibly accesses pension rights immediately before the first payment of the scheme pension is made.
- (10) In subsections (2), (4) and (5), a reference to a qualifying payment from a fund is a reference to—
- (a) payment of income withdrawal from the fund, or
  - (b) payment of a short-term annuity purchased using sums or assets out of the fund,
- but does not include payment at a time when the whole of the fund represents rights attributable to a disqualifying pension credit.
- (11) In subsection (10) “disqualifying pension credit” is to be read in accordance with paragraph 2(3) and (4) of Schedule 29.]

#### **Textual Amendments**

**F20** Ss. 227B-227G inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 65(2) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 65\(1\)](#)

#### **[<sup>F21</sup>228 Annual allowance**

[<sup>F22</sup>(1) The annual allowance for the tax year 2014-15 and, subject to subsection (2), each subsequent tax year is £40,000.]

(2) The Treasury may by order provide that the annual allowance for any tax year subsequent to the tax year [<sup>F23</sup>2014-15] is such amount as is specified in the order.]

#### **Textual Amendments**

**F21** S. 228 substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 4](#)

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- F22** S. 228(1) substituted (with effect in accordance with s. 49(4) of the amending Act) by [Finance Act 2013 \(c. 29\), s. 49\(2\)](#)
- F23** Word in s. 228(2) substituted (with effect in accordance with s. 49(4) of the amending Act) by [Finance Act 2013 \(c. 29\), s. 49\(3\)](#)

## **[<sup>F24</sup>228A Carry forward of unused annual allowance**

- (1) This section applies if the individual has unused annual allowance available for the tax year (“the current tax year”).
- (2) The annual allowance for the current tax year in the case of the individual is to be treated as increased by the amount of the unused annual allowance available for the current tax year.
- (3) The individual has unused annual allowance available for the current tax year if—
  - (a) the amount of the annual allowance (before any increase under this section) for the immediately preceding tax year exceeded the total pension input amount in the case of the individual for that tax year, or
  - (b) the amount of the annual allowance (before any such increase) for either or both of the two tax years immediately preceding that immediately preceding tax year exceeded the total pension input amount in the case of the individual for the tax year concerned and the excess (or, where there is an excess for both of those tax years, the excess for both tax years) has not been used up,or both.
- (4) Subsection (3)—
  - (a) does not apply in relation to a tax year preceding the current tax year unless the individual was a member of a registered pension scheme at some time during that tax year, but
  - (b) subject to that, applies in relation to such a tax year even if the total pension input amount in the case of the individual for that tax year was nil (in which case the excess within paragraph (a) or (b) of that subsection is the whole amount of the annual allowance before any increase under this section).
- (5) The amount of the unused annual allowance available for the current tax year is the aggregate of—
  - (a) any excess within subsection (3)(a), and
  - (b) so much of any excess within subsection (3)(b) as has not been used up.
- (6) An amount of an excess within subsection (3)(b) for a tax year has been “used up” if—
  - (a) for a tax year falling between that tax year and the current tax year (an “intervening tax year”), the total pension input amount in the case of the individual exceeded the annual allowance (apart from any increase under this section), and
  - (b) the amount of the excess had effect by virtue of this section to reduce (or eliminate) the annual allowance charge for the intervening tax year in the case of the individual.
- (7) In calculating for the purposes of subsection (6) the amount of which of the excesses for different tax years had effect to reduce or eliminate the annual allowance charge for an intervening tax year, an amount of the excess for an earlier tax year is to be taken to have done so before that for a later tax year.

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[ If, for a tax year preceding the current tax year, the chargeable amount in the <sup>F25</sup>(8) individual's case was the alternative chargeable amount—

- (a) a reference in subsection (3)(a) or (b), (4)(b) or (6)(a) to the annual allowance for that preceding tax year is a reference to the alternative annual allowance for that preceding tax year (see section 227B(2)), and
- (b) a reference in subsection (3)(a) or (b), (4)(b) or (6)(a) to the total pension input amount in the case of the individual for that preceding tax year is a reference to the defined-benefit input sub-total in the case of the individual for that preceding tax year (see section 227B(3) to (5)).

(9) Subsection (3) does not apply in relation to a tax year—

- (a) preceding the current tax year, and
- (b) ending not later than 5 April 2015,

if, at any time in that preceding tax year, section 165(3A) or 167(2A) applied to an arrangement relating to the individual.]]

#### **Textual Amendments**

**F24** S. 228A inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 5](#)

**F25** Ss. 228A(8)(9) inserted (17.12.2014) (with effect in accordance with Sch. 1 para. 67(2) of the amending Act) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 67\(1\)](#)

#### **Modifications etc. (not altering text)**

**C17** S. 228A applied (with modifications) (19.7.2011) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 paras. 29, 30](#)

#### **[<sup>F26</sup>228B Carry forward: certain periods treated as pension input periods**

- (1) This section applies where the first pension input period for a relevant arrangement relating to an individual ends in the tax year 2011-12, 2012-13 or 2013-14.
- (2) A period is a “carry forward period” for the purposes of this section if it—
  - (a) is one of the 3 consecutive periods of 12 months immediately before the commencement date of the first pension input period, and
  - (b) is a period in which the arrangement was in existence at any time.
- (3) Any amount that would, if a carry forward period were a pension input period of the arrangement, have been unused annual allowance available to the individual for the tax year 2011-12, 2012-13 or 2013-14 is to be treated as unused annual allowance available to the individual for that tax year.
- (4) In this section “relevant arrangement” means—
  - (a) a cash balance arrangement,
  - (b) a defined benefits arrangement, or
  - (c) a hybrid arrangement the only benefits under which may be cash balance benefits or defined benefits.]

*Status: Point in time view as at 21/10/2015.*

*Changes to legislation: There are currently no known outstanding effects for the Finance Act 2004, Cross Heading: Annual allowance charge. (See end of Document for details)*

### Textual Amendments

**F26** S. 228B inserted (28.1.2015) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **11**

## 229 Total pension input amount

- (1) The total pension input amount is arrived at by aggregating the pension input amounts in respect of each arrangement relating to the individual under a registered pension scheme of which the individual is a member.
- (2) The pension input amount in respect of an arrangement—
  - (a) is the amount arrived at under sections 230 to 232 if it is a cash balance arrangement,
  - (b) is the amount arrived at under section 233 if it is any other sort of money purchase arrangement,
  - (c) is the amount arrived at under sections 234 to <sup>[F27]</sup>236A if it is a defined benefits arrangement, and
  - (d) is the amount arrived at under section 237 if it is a hybrid arrangement.
- (3) But there is no pension input amount in respect of an arrangement if, before the end of the tax year, the individual—
  - <sup>[F28]</sup>(a) satisfies the severe ill-health condition, or
  - (b) has died.
- <sup>[F29]</sup>(4) For the purposes of subsection (3)(a) the individual satisfies the severe ill-health condition if the individual—
  - (a) becomes entitled to all the benefits to which the individual is entitled under the arrangement in consequence of the scheme administrator having received evidence from a registered medical practitioner that the individual is suffering from ill-health which makes the individual unlikely to be able (otherwise than to an insignificant extent) to undertake gainful work (in any capacity) before reaching pensionable age,
  - (b) becomes entitled to a serious ill-health lump sum under the arrangement, or
  - (c) is a member of the armed forces of the Crown who becomes entitled under the arrangement to a benefit on which no liability to income tax arises by virtue of section 641(1) of ITEPA 2003.]

### Textual Amendments

**F27** Word in s. 229(2)(c) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 17 para. 6(2)**

**F28** S. 229(3)(a) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 17 para. 6(3)**

**F29** S. 229(4) inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 17 para. 6(4)**

### Modifications etc. (not altering text)

**C9** Pt. 4 applied (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), **Sch. 35 para. 18**

**C18** S. 229(3) modified (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), **Sch. 35 para. 4(1)**

*Status: Point in time view as at 21/10/2015.*

*Changes to legislation: There are currently no known outstanding effects for the Finance Act 2004, Cross Heading: Annual allowance charge. (See end of Document for details)*

### **Commencement Information**

- I2** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

## **230 Cash balance arrangements**

- (1) The pension input amount in respect of a cash balance arrangement is the amount of any increase in the value of the individual's rights under the arrangement during the pension input period of the arrangement that ends in the tax year.
- (2) There is an increase in the value of the individual's rights under the arrangement during the pension input period if—
  - (a) the opening value of the individual's rights under the arrangement, is exceeded by
  - (b) the closing value of the individual's rights under the arrangement.
- (3) The amount of the increase in the value of the individual's rights under the arrangement during the pension input period is the amount of that excess.
- [<sup>F30</sup>(4) The opening value of the individual's rights under the arrangement—
  - (a) where the pension input period is the first pension input period of the arrangement, is the amount which would, on the valuation assumptions (see section 277), be available for the provision of benefits to or in respect of the individual under the arrangement if the individual became entitled to the benefits immediately before that pension input period (or is nil if no such amount would be available), or
  - (b) in any other case, is the amount which would, on the valuation assumptions, be available for the provision of benefits to or in respect of the individual under the arrangement if the individual became entitled to the benefits at the end of the immediately preceding pension input period.]
- (5) The closing value of the individual's rights under the arrangement is the amount which would, on the valuation assumptions, be available for the provision of benefits to or in respect of the individual under the arrangement if the individual became entitled to the benefits at the end of the pension input period.
- [<sup>F31</sup>(5A) If, during the pension input period, minimum payments are made under—
  - (a) section 8 of the Pension Schemes Act 1993, or
  - (b) section 4 of the Pension Schemes (Northern Ireland) Act 1993,
 in relation to the individual in connection with the arrangement, their amount is to be subtracted from what would otherwise be the pension input amount in the case of the individual in respect of the arrangement.
- [<sup>F32</sup>(5B) The pension input amount in respect of the cash balance arrangement is nil where subsection (5BA) or (5BB) applies and the value of the relevant rights of the individual under the arrangement does not increase during the pension input period by more than—
  - (a) the relevant percentage, plus
  - (b) the relevant statutory increase percentage.
- (5BA) This subsection applies where the individual—

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- (a) is, throughout the pension input period, a deferred member of the pension scheme that the arrangement is under,
- (b) is such a deferred member for part of the pension input period and a pensioner member for the rest of it, or
- (c) would meet the condition in paragraph (a) or (b) if the arrangement were the only arrangement under the pension scheme relating to that individual.

(5BB) This subsection applies where—

- (a) during the pension input period all the sums or assets held for the purposes of, or representing accrued rights under, the arrangement are transferred so as to become held for the purposes of, or to represent rights under—
  - (i) a registered pension scheme, or
  - (ii) a qualifying recognised overseas pension scheme,in connection with the individual,
- (b) the individual is a deferred member of the pension scheme that the arrangement is under from the beginning of the pension input period until the transfer (or would be if the arrangement were the only arrangement under the pension scheme relating to that individual), and
- (c) rights do not accrue under the arrangement to or in respect of the individual during so much of the pension input period as falls after the transfer.

(5BC) In determining for the purposes of this section whether or not a member of a pension scheme is a deferred member (see particularly the definition of “active member” in section 151(2)), arrangements made under the pension scheme for benefits to accrue, as a consequence of (and immediately after) a relevant inward transfer (as defined in section 232(6)) to or in respect of that member, are to be disregarded—

- (a) if condition B in section 232(6A) is met in relation to the accrual of benefits under the arrangements, or
- (b) so far as the accrual of benefits under the arrangements is to be an increase in the rights of the individual which falls to be subtracted by virtue of section 232(6A)(b).]

(5C) In this section—

“guaranteed minimum pension” has the meaning given by—

- (a) section 8(2) of the Pension Schemes Act 1993, or
- (b) section 4(2) of the Pension Schemes (Northern Ireland) Act 1993;

“predecessor arrangement”, in relation to an arrangement, means another arrangement (under the same or another registered pension scheme) from which some or all of the sums or assets held for the purposes of the arrangement directly or indirectly derive;

“predecessor registered pension scheme”, in relation to a pension scheme, means another registered pension scheme from which some or all of the sums or assets held for the purposes of the arrangement under the pension scheme directly or indirectly derive;

[<sup>F33</sup>“the relevant percentage” means—

- (a) where throughout the pension input period the arrangement (or a predecessor arrangement) includes provision for the value of the relevant rights of the individual to increase at an annual rate which is an RPI-related rate specified in the rules of the pension scheme (or a predecessor registered pension scheme) on 6th April 2012, that rate,



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- (b) where throughout the pension input period the arrangement (or a predecessor arrangement) includes provision for the value of the relevant rights of the individual to increase at an annual rate, other than an RPI-related rate, specified in the rules of the pension scheme (or a predecessor registered pension scheme) on 14th October 2010, that rate, and
- (c) in a case not falling within paragraph (a) or (b), the percentage by which the consumer prices index for a month falling within the pension input period and nominated by the scheme administrator is higher than it was for the same month in the previous period of 12 months (or nil per cent if it is not higher);]

“the relevant rights of the individual” means rights of the individual under the arrangement, other than any rights to a guaranteed minimum pension;

[<sup>F34</sup>“the relevant statutory increase percentage” in relation to a pension input period means the percentage increase in the value of the individual’s rights under the arrangement during the pension input period so far as it is attributable solely to one or more of the following—

- (a) an increase in accordance with section 15 of the Pension Schemes Act 1993 or section 11 of the Pension Schemes (Northern Ireland) Act 1993 (increase of guaranteed minimum where commencement of guaranteed minimum pension postponed);
- (b) a revaluation in accordance with section 16 of the Pension Schemes Act 1993 or section 12 of the Pension Schemes (Northern Ireland) Act 1993 (early leavers: revaluation of earning factors);
- (c) a revaluation in accordance with Chapter 2 of Part 4 of the Pension Schemes Act 1993 or the Pension Schemes (Northern Ireland) Act 1993 (early leavers: revaluation of accrued benefits);
- (d) a revaluation in accordance with Chapter 3 of Part 4 of the Pension Schemes Act 1993 or the Pension Schemes (Northern Ireland) Act 1993 (early leavers: protection of increases in guaranteed minimum pensions);
- (e) the application of section 67 of the Equality Act 2010 (sex equality rule for occupational pension schemes);

“RPI-related rate” (in the definition of “the relevant percentage”) means—

- (a) a rate produced solely by movement in the retail prices index, or
- (b) a rate which (however expressed) is the lower of such a rate and a percentage figure;]

“specified”, in relation to an annual rate, means specified as a percentage figure or as a percentage produced by movement in an index (or a combination of the two) but does not include a percentage produced by the exercise of a discretion by any person.]

- (6) Section 231 (uprating of opening value) and section 232 (adjustments of closing value) supplement this section.

#### **Textual Amendments**

- F30** S. 230(4) substituted (with effect in accordance with art. 2(a) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\), arts. 1, 12\(a\)](#)
- F31** S. 230(5A)-(5C) inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\), Sch. 17 para. 7\(3\)](#)



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*Changes to legislation: There are currently no known outstanding effects for the Finance Act 2004, Cross Heading: Annual allowance charge. (See end of Document for details)*

- F32** S. 230(5B)-(5BC) substituted for s. 230(5B) (with effect in accordance with arts. 2(a), 3(1) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **12(b)**
- F33** Words in s. 230(5C) substituted (with effect in accordance with art. 2(a) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **12(c)(i)**
- F34** Words in s. 230(5C) inserted (with effect in accordance with art. 2(a) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **12(c)(ii)**

#### **Modifications etc. (not altering text)**

- C19** S. 230 applied (with modifications) (6.4.2006) by [The Registered Pension Schemes \(Restriction of Employers Relief\) Regulations 2005 \(S.I. 2005/3458\)](#), regs. 1(1), **5** (with regs. 2-4)
- C20** Ss. 230-237 modified (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), **Sch. 35 para. 5(2)**
- C21** S. 230(1) modified (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), **Sch. 35 para. 5(1)**

#### **Commencement Information**

- I3** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

### **231 Cash balance arrangements: uprating of opening value**

- (1) This section applies for adjusting the opening value of the individual's rights as calculated under section 230(4).
- (2) The opening value is to be increased by the appropriate percentage.
- [<sup>F35</sup>(3) The appropriate percentage is the percentage (if any) by which the consumer prices index for the September before the start of the tax year is higher than it was for the previous September.]

#### **Textual Amendments**

- F35** S. 231(3) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 17 para. 8**

#### **Modifications etc. (not altering text)**

- C20** Ss. 230-237 modified (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), **Sch. 35 para. 5(2)**
- C22** S. 231 modified (6.4.2006) by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\) Regulations 2006 \(S.I. 2006/207\)](#), regs. 1(1), **9** (as amended (with effect in accordance with reg. 1(7) of the amending S.I.) by [S.I. 2011/1751](#), regs. 1(1), **12(3)**)

#### **Commencement Information**

- I4** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

### **232 Cash balance arrangements: adjustments of closing value**

- (1) This section applies for adjusting the closing value of the individual's rights under the arrangement as calculated under section 230(5).

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- (2) If, during the pension input period, the rights of the individual under the arrangement have been reduced by having become subject to a pension debit, the amount of [<sup>F36</sup>the reduction] is to be added.
- (3) If, during the pension input period, the rights of the individual under the arrangement have been increased by the individual having become entitled to a pension credit deriving from the same or another registered pension scheme, the amount of [<sup>F37</sup>the increase] is to be subtracted.
- (4) [<sup>F38</sup>In subsection (4A) “relevant outward transfer” means][<sup>F39</sup>a transfer relating to the individual of any sums or assets] held for the purposes of, or representing accrued rights under, the arrangement so as to become held for the purposes of, or to represent rights under, any <sup>F40</sup>... pension scheme that is—
- (a) a registered pension scheme, or
  - (b) a qualifying recognised overseas pension scheme.
- <sup>F41</sup> ...
- [<sup>F42</sup>(4A) If there is a relevant outward transfer during the pension input period, then—
- (a) if condition A is met, the amount of the reduction specified in paragraph (b) of that condition is to be added;
  - (b) if condition A is not met but the rights of the individual under the arrangement have been reduced by reason of the relevant outward transfer, the amount of that reduction is to be added.
- Condition A is that—
- (a) the relevant outward transfer (“the transfer”) takes place within a block transfer,
  - (b) the rights of the individual under the arrangement have been reduced, and the rights of the individual under the pension scheme mentioned in subsection (4) have been increased, as a consequence (whether direct or indirect) of the transfer, and
  - (c) the amount of that reduction is equal (or virtually equal) to the amount of that increase.]

<sup>F43</sup>(5) .....

(6) [<sup>F44</sup>In subsection (6A) “relevant inward transfer” means][<sup>F45</sup>a transfer relating to the individual] of any sums or assets held for the purposes of, or representing accrued rights under, any pension scheme so as to become held for the purposes of, or to represent rights under, the arrangement<sup>F46</sup>...

[<sup>F47</sup>(6A) If there is a relevant inward transfer during the pension input period, then—

    - (a) if condition B is met, the amount of the increase specified in paragraph (b) of that condition is to be subtracted;
    - (b) if condition B is not met but the rights of the individual under arrangement have been increased by reason of the relevant inward transfer, the amount of that increase is to be subtracted.

Condition B is that—

    - (a) the relevant inward transfer (“the transfer”) takes place within a block transfer,
    - (b) the rights of the individual under the arrangement have been increased, and the rights of the individual under the pension scheme mentioned in subsection (6) have been reduced, as a consequence (whether direct or indirect) of the transfer, and

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- (c) the amount of that increase is equal (or virtually equal) to the amount of that reduction.

(6B) For the purposes of Condition A in subsection (4A) and Condition B in subsection (6A)

- (a) normal actuarial practice must be used when determining and comparing the amount of the reduction, and the amount of the increase, in rights,
- (b) the amount of a reduction or increase in rights under the arrangement is the difference between the amount of those rights under the arrangement immediately before the transfer and immediately after the transfer, and
- (c) the amount of an increase or reduction in rights under a pension scheme is the difference between the amount of those rights under the pension scheme immediately before the transfer and immediately after the transfer.

(6C) In subsections (4A) and (6A)—

“block transfer” means a transfer which involves the transfer in a single transaction of all the sums or assets held for the purposes of, or representing accrued rights under, the arrangements under a pension scheme which relate to the individual and at least one other member of that pension scheme so as to become held for the purposes of, or to represent rights under, any pension scheme.]

[<sup>F48</sup>(6D) For the purposes of subsections (4A) and (6A), the rights of the individual under the arrangement have been reduced or increased, as the case may be, “by reason of” a transfer of sums or assets only where that reduction or increase is solely attributable to the value of those sums or assets.]

<sup>F49</sup>(7) .....

[<sup>F50</sup>(8) If, during the pension input period, the rights of the individual under the arrangement have been reduced by any surrender made, or similar action taken, pursuant to an option available to the individual under the arrangement, the amount of the reduction is to be added.

(8A) If, during the pension input period—

- (a) benefit crystallisation event 1, 2 or 4 occurs in relation to the individual and the arrangement,
- (b) benefit crystallisation event 3 occurs in relation to the individual and the arrangement otherwise than by reason of a provision contained in, or made under, any enactment,
- (c) benefit crystallisation event 6 occurs or, but for paragraph 15A of Schedule 32, would occur in relation to the individual and the arrangement by virtue of the individual becoming entitled to a pension commencement lump sum or a lifetime allowance excess lump sum, or
- (d) there is an allocation of rights of the individual under the arrangement (not falling within paragraph (a)),

the relevant amount is to be added.

(8B) In subsection (8A) “the relevant amount” is—

<sup>F51</sup>(a) .....

<sup>F51</sup>(b) .....

- (c) in the case of benefit crystallisation event 6, the amount of the lump sum, and

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- (d) in any other case, the amount of the reduction in the amount of the rights available for the provision of benefits to or in respect of the individual occurring by reason of the benefit crystallisation event or allocation.
- (8C) If, during the pension input period, an adjustment to the individual's rights under the arrangement is made in consequence of the scheme administrator satisfying a liability under section 237B in respect of the individual, if and to the extent that the adjustment is reflected in the closing amount the amount of the adjustment is to be added to the closing amount.
- (8D) But no amount is to be added under subsection (8C) by reason of an adjustment made in consequence of the scheme administrator satisfying a liability under section 237B [<sup>F52</sup>in a case where—
- (a) the individual becomes actually entitled to all of the individual's benefits under the pension scheme or benefit crystallisation event 5, 5A or 5B occurs in relation to the individual and the pension scheme, and
  - (b) the adjustment takes place after the individual becomes so entitled or the benefit crystallisation event occurs.]]

<sup>F53</sup>(9) .....

#### Textual Amendments

- F36** Words in s. 232(2) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 9\(2\)](#)
- F37** Words in s. 232(3) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 9\(3\)](#)
- F38** Words in s. 232(4) substituted (with effect in accordance with arts. 2(b), 3(3) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [13\(a\)\(i\)](#)
- F39** Words in s. 232(4) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 9\(4\)\(b\)](#)
- F40** Word in s. 232(4) omitted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 9\(4\)\(c\)](#)
- F41** Words in s. 232(4) omitted (with effect in accordance with arts. 2(b), 3(3) of the amending S.I.) by virtue of [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [13\(a\)\(ii\)](#)
- F42** S. 232(4A) inserted (with effect in accordance with arts. 2(b), 3(3) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [13\(b\)](#)
- F43** S. 232(5) omitted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 9\(5\)](#)
- F44** Words in s. 232(6) substituted (with effect in accordance with art. 2(b) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [13\(c\)\(i\)](#)
- F45** Words in s. 232(6) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 9\(6\)\(b\)](#)
- F46** Words in s. 232(6) omitted (with effect in accordance with art. 2(b) of the amending S.I.) by virtue of [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [13\(c\)\(ii\)](#)
- F47** S. 232(6A)-(6C) inserted (with effect in accordance with art. 2(b) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [13\(d\)](#)

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*Changes to legislation: There are currently no known outstanding effects for the Finance Act 2004, Cross Heading: Annual allowance charge. (See end of Document for details)*

- F48** S. 232(6D) inserted (with effect in accordance with art. 3(4) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **13(e)**
- F49** S. 232(7) omitted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), **Sch. 17 para. 9(7)**
- F50** S. 232(8)-(8D) substituted for s. 232(8) (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 17 para. 9(8)**
- F51** S. 232(8B)(a)(b) omitted (with effect in accordance with art. 4 of the amending S.I.) by virtue of [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **13(f)**
- F52** Words in s. 232(8D) substituted (with effect in accordance with art. 5 of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **13(g)**
- F53** S. 232(9) omitted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), **Sch. 17 para. 9(9)**

**Modifications etc. (not altering text)**

- C20** Ss. 230-237 modified (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), **Sch. 35 para. 5(2)**
- C23** S. 232 applied (with modifications) (6.4.2006) by [The Registered Pension Schemes \(Restriction of Employers Relief\) Regulations 2005 \(S.I. 2005/3458\)](#), regs. 1(1), **5** (with regs. 2-4)

**Commencement Information**

- I5** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

**233 Other money purchase arrangements**

- (1) The pension input amount in respect of a money purchase arrangement other than a cash balance arrangement is the total of—
- (a) any relievable pension contributions paid by or on behalf of the individual under the arrangement, and
  - (b) contributions paid in respect of the individual under the arrangement by an employer of the individual,
- during the pension input period of the arrangement that ends in the tax year.

<sup>F54</sup>(2) .....

- (3) When at any time contributions paid under a pension scheme by an employer otherwise than in respect of any individual become held for the purposes of the provision under an arrangement under the pension scheme of benefits to or in respect of an individual, they are to be treated as being contributions paid at that time in respect of the individual under the arrangement.

[<sup>F55</sup>(4) References to “contributions” in subsection (1) do not include any amount which is a refund of excess contributions lump sum (see paragraph 6 of Schedule 29).]

**Textual Amendments**

- F54** S. 233(2) omitted (retrospective to 6.4.2013) by virtue of [Finance Act 2013 \(c. 29\)](#), **s. 52(7)(10)**
- F55** S. 233(4) inserted (with effect in accordance with art. 6 of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, **14**

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*Changes to legislation: There are currently no known outstanding effects for the Finance Act 2004, Cross Heading: Annual allowance charge. (See end of Document for details)*

#### **Modifications etc. (not altering text)**

- C20** Ss. 230-237 modified (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), [Sch. 35 para. 5\(2\)](#)
- C24** S. 233 applied (with modifications) (6.4.2006) by [The Registered Pension Schemes \(Restriction of Employers Relief\) Regulations 2005 \(S.I. 2005/3458\)](#), regs. 1(1), [6](#) (with regs. 2-4)
- C25** S. 233(1) modified (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), [Sch. 35 para. 5\(1\)](#)

#### **Commencement Information**

- I6** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

### **234 Defined benefits arrangements**

- (1) The pension input amount in respect of a defined benefits arrangement is the amount of any increase in the value of the individual's rights under the arrangement during the pension input period of the arrangement that ends in the tax year.
- (2) There is an increase in the value of the individual's rights under the arrangement during the pension input period if—
  - (a) the opening value of the individual's rights under the arrangement, is exceeded by
  - (b) the closing value of the individual's rights under the arrangement.
- (3) The amount of the increase in the value of the individual's rights under the arrangement during the pension input period is the amount of that excess.
- [<sup>F56</sup>(4) The opening value of the individual's rights under the arrangement is—

$$(16 \times \text{PB}) + \text{LSB}$$

[<sup>F57</sup>where—

PB is—

- (a) if the pension input period is the first pension input period of the arrangement, the annual rate of the pension which would, on the valuation assumptions (see section 277), be payable to the individual under the arrangement if the individual became entitled to payment of it immediately before that pension input period (or is nil if no such annual rate would be so payable), or
- (b) in any other case, the annual rate of the pension which would, on the valuation assumptions, be payable to the individual under the arrangement if the individual became entitled to payment of it at the end of the immediately preceding pension input period, and

LSB is—

- (a) if the pension input period is the first pension input period of the arrangement, the amount of the lump sum to which the individual would, on the valuation assumptions, be entitled under the arrangement (otherwise than by commutation of pension) if the individual became entitled to the payment of it immediately before that pension input period (or is nil if there is no such lump sum to which the individual would be so entitled), or
- (b) in any other case, the amount of the lump sum to which the individual would, on the valuation assumptions, be entitled under the arrangement (otherwise than by commutation of pension) if the individual became entitled to the payment of it at the end of the immediately preceding pension input period.]

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[<sup>F58</sup>(5) The closing value of the] individual's rights under the arrangement is—

$$(16 \times PE) + LSE$$

where—

PE is the annual rate of the pension which would, on the valuation assumptions, be payable to the individual under the arrangement if the individual became entitled to payment of it at the end of the pension input period, and

LSE is the amount of the lump sum to which the individual would, on the valuation assumptions, be entitled under the arrangement (otherwise than by commutation of pension) if the individual became entitled to the payment of it at that time.]

[<sup>F59</sup>(5A) If, during the pension input period, minimum payments are made under—

- (a) section 8 of the Pension Schemes Act 1993, or
- (b) section 4 of the Pension Schemes (Northern Ireland) Act 1993,

in relation to the individual in connection with the arrangement, their amount is to be subtracted from what would otherwise be the pension input amount in the case of the individual in respect of the arrangement.

[<sup>F60</sup>(5B) The pension input amount in respect of the arrangement is nil where—

- (a) subsection (5BA) or (5BB) applies and the value of the relevant rights of the individual under the arrangement does not increase during the pension input period by more than—
  - (i) the relevant percentage, plus
  - (ii) the relevant statutory increase percentage, or
- (b) subsection (5BC) applies.

(5BA) This subsection applies where the individual—

- (a) is, throughout the pension input period, a deferred member of the pension scheme that the arrangement is under,
- (b) is such a deferred member for part of the pension input period and a pensioner member for the rest of it, or
- (c) would meet the condition in paragraph (a) or (b) if the arrangement were the only arrangement under the pension scheme relating to the individual.

(5BB) This subsection applies where—

- (a) during the pension input period there is a transfer of all the sums or assets held for the purposes of, or representing accrued rights under, the arrangement so as to become held for the purposes of, or to represent rights under—
  - (i) a registered pension scheme, or
  - (ii) a qualifying recognised overseas pension scheme,in connection with the individual,
- (b) the individual is a deferred member of the pension scheme that the arrangement is under from the beginning of the pension input period until the transfer (or would be if the arrangement were the only arrangement under the pension scheme relating to that individual), and
- (c) rights do not accrue under the arrangement to or in respect of the individual during so much of the pension input period as falls after the transfer.

(5BC) This subsection applies where—

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- (a) the arrangement (“the annuity arrangement”) is a defined benefits arrangement under an annuity contract which is treated as a registered pension scheme under section 153(8),
  - (b) throughout the pension input period the annuity arrangement (or a predecessor arrangement) includes provision for the relevant rights of the individual to increase at an annual rate (“the annuity rate”) which—
    - (i) was specified in the contract (or in the rules of a predecessor registered pension scheme) on 14 October 2010, or
    - (ii) is the CPI percentage or the RPI percentage, and
  - (c) the value of the relevant rights of the individual does not increase during the pension input period at an annual rate greater than the annuity rate plus the relevant statutory increase percentage.
- (5BD) In determining for the purposes of this section whether or not a member of a pension scheme is a deferred member (see particularly the definition of “active member” in section 151(2)), arrangements made under the pension scheme for benefits to accrue, as a consequence of (and immediately after) a relevant inward transfer (as defined in section 236(5)) to or in respect of that member, are to be disregarded—
- (a) if condition B in section 236(5A) is met in relation to the accrual of benefits under the arrangements, or
  - (b) so far as the accrual of benefits under the arrangements is to be a subtractable increase in the annual rate of the pension, or the amount of the lump sum, to which the individual would be entitled under the defined benefits arrangement.
- (5BE) In subsection (5BD) “subtractable increase” means an increase which falls to be subtracted from PE or LSE by virtue of section 236(5A)(b).]
- (5C) In this section—
- “<sup>F61</sup>CPI percentage ” means the percentage mentioned in paragraph (c) of the definition of “the relevant percentage” (see below)]
  - “guaranteed minimum pension” has the meaning given by—
    - (a) section 8(2) of the Pension Schemes Act 1993, or
    - (b) section 4(2) of the Pension Schemes (Northern Ireland) Act 1993;
  - “predecessor arrangement”, in relation to an arrangement, means another arrangement (under the same or another registered pension scheme) from which some or all of the sums or assets held for the purposes of the arrangement directly or indirectly derive;
  - “predecessor registered pension scheme”, in relation to a pension scheme, means another registered pension scheme from which some or all of the sums or assets held for the purposes of the arrangement under the pension scheme directly or indirectly derive;
  - “<sup>F62</sup>the relevant percentage ” means—
    - (a) where throughout the pension input period the arrangement (or a predecessor arrangement) includes provision for the value of the relevant rights of the individual to increase at an annual rate, which is an RPI-related rate, specified in the rules of the pension scheme (or a predecessor registered pension scheme) on 6 April 2012, that rate,
    - (b) where throughout the pension input period the arrangement (or a predecessor arrangement) includes provision for the value of the relevant rights of the individual to increase at an annual rate, other than an



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RPI-related rate, specified in the rules of the pension scheme (or a predecessor registered pension scheme) on 14 October 2010, that rate, and

- (c) in a case not falling within paragraph (a) or (b), the percentage by which the consumer prices index for a month falling within the pension input period and nominated by the scheme administrator is higher than it was for the same month in the previous period of 12 months (or nil per cent if it is not higher);]

“the relevant rights of the individual” means rights of the individual under the arrangement, other than any rights to a guaranteed minimum pension;

[<sup>F63</sup>“the relevant statutory increase percentage” in relation to a pension input period means the percentage increase in the value of the individual’s rights under the arrangement during the pension input period so far as it is attributable solely to one or more of the following—

- (a) an increase in accordance with section 15 of the Pension Schemes Act 1993 or section 11 of the Pension Schemes (Northern Ireland) Act 1993 (increase of guaranteed minimum where commencement of guaranteed minimum pension postponed);
- (b) a revaluation in accordance with section 16 of the Pension Schemes Act 1993 or section 12 of the Pension Schemes (Northern Ireland) Act 1993 (early leavers: revaluation of earning factors);
- (c) a revaluation in accordance with Chapter 2 of Part 4 of the Pension Schemes Act 1993 or the Pension Schemes (Northern Ireland) Act 1993 (early leavers: revaluation of accrued benefits);
- (d) a revaluation in accordance with Chapter 3 of Part 4 of the Pension Schemes Act 1993 or the Pension Schemes (Northern Ireland) Act 1993 (early leavers: protection of increases in guaranteed minimum pensions);
- (e) the application of section 67 of the Equality Act 2010 (sex equality rule for occupational pension schemes);

“RPI percentage” means the percentage by which the retail prices index for a month falling within the pension input period and nominated by the scheme administrator is higher than it was for the same month in the previous period of 12 months (or nil per cent if it is not higher);

“RPI-related rate” (in the definition of “the relevant percentage”) means—

- (a) a rate produced solely by movement in the retail prices index, or
- (b) a rate which (however expressed) is the lower of such a rate and a percentage figure;]

“specified”, in relation to an annual rate, means specified as a percentage figure or as a percentage produced by movement in an index (or a combination of the two) but does not include a percentage produced by the exercise of a discretion by any person.

- (6) Section 235 (uprating of opening value)[<sup>F64</sup>, section 236 (adjustments of closing value) and section 236A (post-entitlement enhancements)] supplement this section.]

#### Textual Amendments

**F56** Word in s. 234(4) formula substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 10\(2\)\(a\)](#)

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*Changes to legislation: There are currently no known outstanding effects for the Finance Act 2004, Cross Heading: Annual allowance charge. (See end of Document for details)*

- F57** Words in s. 234(4) substituted (with effect in accordance with art. 2(c) of the amending S.I.) by The Finance Act 2004 (Registered Pension Schemes and Annual Allowance Charge) (Amendment) Order 2015 (S.I. 2015/80), arts. 1, **15(a)**
- F58** Word in s. 234(5) formula substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by Finance Act 2011 (c. 11), **Sch. 17 para. 10(3)**
- F59** S. 234(5A)-(5C) inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by Finance Act 2011 (c. 11), **Sch. 17 para. 10(4)**
- F60** S. 234(5B)-(5BE) substituted for s. 234(5B) (with effect in accordance with arts. 2(c), 3(2) of the amending S.I.) by The Finance Act 2004 (Registered Pension Schemes and Annual Allowance Charge) (Amendment) Order 2015 (S.I. 2015/80), arts. 1, **15(b)**
- F61** Words in s. 234(5C) inserted (with effect in accordance with art. 2(c) of the amending S.I.) by The Finance Act 2004 (Registered Pension Schemes and Annual Allowance Charge) (Amendment) Order 2015 (S.I. 2015/80), arts. 1, **15(c)(i)**
- F62** Words in s. 234(5C) substituted (with effect in accordance with art. 2(c) of the amending S.I.) by The Finance Act 2004 (Registered Pension Schemes and Annual Allowance Charge) (Amendment) Order 2015 (S.I. 2015/80), arts. 1, **15(c)(ii)**
- F63** Words in s. 234(5C) inserted (with effect in accordance with art. 2(c) of the amending S.I.) by The Finance Act 2004 (Registered Pension Schemes and Annual Allowance Charge) (Amendment) Order 2015 (S.I. 2015/80), arts. 1, **15(c)(iii)**
- F64** Words in s. 234(6) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by Finance Act 2011 (c. 11), **Sch. 17 para. 10(5)**

#### **Modifications etc. (not altering text)**

- C10** Pt. 4 modified (19.7.2011) by Finance Act 2011 (c. 11), **Sch. 18 para. 14(3)**
- C20** Ss. 230-237 modified (21.7.2009) by Finance Act 2009 (c. 10), **Sch. 35 para. 5(2)**
- C26** S. 234 applied (with modifications) (6.4.2006) by The Registered Pension Schemes (Restriction of Employers Relief) Regulations 2005 (S.I. 2005/3458), regs. 1(1), **7** (with regs. 2-4)
- C27** S. 234 modified (1.4.2015) by The Teachers' Pension Scheme (Consequential Provisions) Regulations 2015 (S.I. 2015/436), regs. 1(2), **15(2)(3)** (with reg. 15(1))
- C28** S. 234 applied (with modifications) (N.I.) (1.4.2015) by The Teachers' Pension Scheme (Consequential Provisions) Regulations (Northern Ireland) 2015 (S.R. 2015/170), regs. 1, **14(2)**
- C29** S. 234 modified (S.) (1.4.2015) by The National Health Service Pension Scheme (Consequential Provisions) (Scotland) Regulations 2015 (S.S.I. 2015/145), regs. 1(2), **15(2)(3)** (with reg. 15(1))
- C30** S. 234 modified (S.) (1.4.2015) by The Police Pensions (Consequential Provisions) (Scotland) Regulations 2015 (S.S.I. 2015/118), regs. 1(3), **15(2)(3)** (with reg. 15(1))
- C31** S. 234 modified (S.) (1.4.2015) by The Teachers' Pension Scheme (Consequential Provisions) (Scotland) Regulations 2015 (S.S.I. 2015/146), regs. 1(2), **15(2)(3)** (with reg. 15(1))
- C32** S. 234 modified (S.) (1.4.2015) by The Firefighters' Pension Scheme (Consequential Provisions) (Scotland) Regulations 2015 (S.S.I. 2015/117), regs. 1(3), **14(2)(3)** (with reg. 14(1))
- C33** S. 234 modified (1.4.2015) by The Police Pensions (Consequential Provisions) Regulations 2015 (S.I. 2015/370), regs. 1(2), **15(2)(3)**
- C34** S. 234 applied (with modifications) (1.4.2015) by The National Health Service Pension Scheme (Consequential Provisions) Regulations 2015 (S.I. 2015/432), regs. 1(2), **15(2)**
- C35** S. 234 modified (W.) (1.4.2015) by The Firefighters Pension Scheme (Wales) (Consequential Provisions) Regulations 2015 (S.I. 2015/848), regs. 1(2), **14(2)(3)** (with reg. 14(1))
- C36** S. 234 modified (1.4.2015) by The Firefighters' Pension Scheme (England) (Consequential Provisions) Regulations 2015 (S.I. 2015/319), regs. 1(2), **14(2)(3)**
- C37** S. 234 applied (with modifications) (N.I.) (1.4.2015) by The Public Service (Civil Servants and Others) Pensions (Consequential Provisions) Regulations (Northern Ireland) 2015 (S.R. 2015/81), regs. 1(1), **14(2)**
- C38** S. 234 applied (with modifications) (N.I.) (1.4.2015) by The Health Service Workers (Consequential Provisions) Regulations (Northern Ireland) 2015 (S.R. 2015/167), regs. 1, **14(2)**

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- C39** S. 234 applied (with modifications) (N.I.) (1.4.2015) by [The Police Pensions \(Consequential Provisions\) Regulations \(Northern Ireland\) 2015 \(S.R. 2015/156\)](#), regs. 1(2), **14(2)**
- C40** S. 234 modified (1.4.2015) by [The Public Service \(Civil Servants and Others\) Pensions \(Consequential and Amendment\) Regulations 2015 \(S.I. 2015/372\)](#), regs. 1(2), **15(2)(3)**
- C41** S. 234 applied (with modifications) (N.I.) (1.4.2015) by [The Firefighters' Pension Scheme \(Consequential Provisions\) Regulations \(Northern Ireland\) 2015 \(S.R. 2015/166\)](#), regs. 1, **13(2)**
- C42** S. 234 modified (1.4.2015) by [The Armed Forces Pension \(Consequential Provisions\) Regulations 2015 \(S.I. 2015/390\)](#), regs. 1(2), **15(2)** (with reg. 15(1))
- C43** S. 234(1) modified (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), **Sch. 35 para. 5(1)**
- C44** S. 234(4)(5) applied (with modifications) (19.7.2011) by [Finance Act 2011 \(c. 11\)](#), **Sch. 17 para. 28(6)**

#### Commencement Information

- I7** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

### 235 Defined benefits arrangements: uprating of opening value

- (1) This section applies for adjusting the opening value of the individual's rights as calculated under section 234(4) <sup>F65</sup>....
- (2) The opening value is to be increased by the appropriate percentage.
- [<sup>F66</sup>(3) The appropriate percentage is the percentage (if any) by which the consumer prices index for the September before the start of the tax year is higher than it was for the previous September.]

#### Textual Amendments

- F65** Words in s. 235(1) omitted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), **Sch. 17 para. 11(2)**
- F66** S. 235(3) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 17 para. 11(3)**

#### Modifications etc. (not altering text)

- C20** Ss. 230-237 modified (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), **Sch. 35 para. 5(2)**
- C45** S. 235 modified (6.4.2006) by [The Pensions Schemes \(Application of UK Provisions to Relevant Non-UK Schemes\) Regulations 2006 \(S.I. 2006/207\)](#), regs. 1(1), **10** (as amended (with effect in accordance with reg. 1(7) of the amending S.I.) by [S.I. 2011/1751](#), regs. 1(1), **12(4)**)

#### Commencement Information

- I8** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

### 236 Defined benefits arrangements: adjustments of closing value

- (1) This section applies for adjusting [<sup>F67</sup>PE and LSE] under section 234(5).
- (2) If, during the pension input period, the [<sup>F68</sup>annual rate of the pension, or the amount of the lump sum, to which the individual would be entitled under the arrangement has] been reduced by having become subject to a pension debit, the amount of [<sup>F69</sup>the reduction] is to be added [<sup>F70</sup>to PE or LSE].

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*Changes to legislation: There are currently no known outstanding effects for the Finance Act 2004, Cross Heading: Annual allowance charge. (See end of Document for details)*

- (3) If, during the pension input period, the [<sup>F71</sup>annual rate of the pension, or the amount of the lump sum, to which the individual would be entitled under the arrangement has] been increased by the individual having become entitled to a pension credit deriving from the same or another registered pension scheme, the amount of [<sup>F72</sup>the increase] is to be subtracted [<sup>F73</sup>from PE or LSE].
- [<sup>F74</sup>(4) [<sup>F75</sup>In subsection (4A) “relevant outward transfer means] a transfer relating to the individual of any sums or assets held for the purposes of, or representing accrued rights under, the arrangement so as to become held for the purposes of, or to represent rights under, any pension scheme that is—
- (a) a registered pension scheme, or
  - (b) a qualifying recognised overseas pension scheme,
- [<sup>F76</sup> ...
- [<sup>F77</sup>(4A) If there is a relevant outward transfer during the pension input period, then—
- (a) if condition A is met, and there has been a reduction in the annual rate of the pension or a reduction in the amount of the lump sum to which the individual would be entitled under the arrangement, as a consequence (whether direct or indirect) of the relevant outward transfer, the amount of that reduction is to be added to PE or LSE, so far as that amount is reflected in the reduction in the value of benefits mentioned in paragraph (b) of condition A;
  - (b) if condition A is not met but the annual rate of the pension, or the amount of the lump sum, to which the individual would be entitled under the arrangement has been reduced by reason of the relevant outward transfer, the amount of that reduction is to be added to PE or LSE.
- Condition A is that—
- (a) the relevant outward transfer (“the transfer”) takes place within a block transfer,
  - (b) the value of the benefits to be paid to or in respect of the individual under the arrangement has been reduced and the value of the benefits to be paid to or in respect of the individual under the pension scheme mentioned in subsection (4) has been increased, as a consequence (whether direct or indirect) of the transfer,
  - (c) the amount of that reduction is equal (or virtually equal) to the amount of that increase, and
  - (d) the transfer is not part of an arrangement the main purpose (or one of the main purposes) of which is the avoidance of tax.]
- (5) [<sup>F78</sup>In subsection (5A) “relevant inward transfer means] a transfer relating to the individual of any sums or assets held for the purposes of, or representing accrued rights under, any pension scheme so as to become held for the purposes of, or to represent rights under, the arrangement [<sup>F79</sup>....]
- [<sup>F80</sup>(5A) If there is a relevant inward transfer during the pension input period, then—
- (a) if condition B is met, and there has been an increase in the annual rate of the pension or an increase in the amount of the lump sum to which the individual would be entitled under the arrangement, as a consequence (whether direct or indirect) of the relevant inward transfer, the amount of that increase is to be subtracted from PE or LSE, so far as that amount is reflected in the increase in the value of benefits mentioned in paragraph (b) of condition B;

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- (b) if condition B is not met but the annual rate of the pension, or the amount of the lump sum, to which the individual would be entitled under the arrangement has been increased by reason of the relevant inward transfer, the amount of that increase is to be subtracted from PE or LSE.

Condition B is that-

- (a) the relevant inward transfer (“the transfer”) took place within a block transfer,
- (b) the value of the benefits to be paid to or in respect of the individual under the arrangement has been increased, and the value of the benefits to be paid to or in respect of the individual under the pension scheme mentioned in subsection (5) has been reduced, as a consequence (whether direct or indirect) of the transfer,
- (c) the amount of that increase in value is equal (or virtually equal) to the amount of that reduction, and
- (d) the transfer is not part of an arrangement the main purpose (or one of the main purposes) of which is the avoidance of tax.

(5B) For the purposes of Condition A in subsection (4A) and Condition B in subsection (5A)

- (a) normal actuarial practice must be used when determining and comparing the amount of a reduction, and the amount of an increase, in the value of benefits to be paid to or in respect of the individual,
- (b) the amount of a reduction or increase in the value of benefits to be paid to or in respect of the individual under the arrangement is the difference between the value of those benefits under that arrangement immediately before the transfer and immediately after the transfer, and
- (c) the amount of an increase or reduction in the value of benefits to be paid to or in respect of an individual under a pension scheme is the difference between the value of those benefits under that pension scheme immediately before and immediately after the transfer.

(5C) In subsections (4A) and (5A)—

“block transfer” means a transfer which involves the transfer in a single transaction of all the sums or assets held for the purposes of, or representing accrued rights under, the arrangements under a pension scheme which relate to the individual and at least one other member of that pension scheme so as to become held for the purposes of, or to represent rights under, any pension scheme.]

[<sup>F81</sup>(5D) For the purposes of subsections (4A) and (5A), the annual rate of the pension, or the amount of the lump sum, to which the individual would be entitled under the arrangement has been reduced or increased, as the case may be, “by reason of” a transfer of sums or assets only where that reduction or increase is solely attributable to the value of those sums or assets.]

[<sup>F82</sup>(8) If, during the pension input period, the annual rate of the pension, or the amount of the lump sum, to which the individual would be entitled under the arrangement has been reduced by any surrender made in return for any other entitlement, any allocation made, or any similar action taken, pursuant to an option available to the individual under the arrangement, the amount of the reduction (to the extent that it is not reflected in an amount added under subsection (8A)) is to be added to PE or LSE.

(8A) If, during the pension input period—

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- (a) benefit crystallisation event 2 occurs in relation to the individual and the arrangement,
  - (b) benefit crystallisation event 3 occurs in relation to the individual and the arrangement otherwise than by reason of a provision contained in, or made under, any enactment, or
  - (c) benefit crystallisation event 6 occurs in relation to the individual and the arrangement by virtue of the individual becoming entitled to a pension commencement lump sum or a lifetime allowance excess lump sum,
- the relevant amount is to be added to PE or LSE.
- (8B) In subsection (8A) “the relevant amount” is—
- (a) in the case of benefit crystallisation event 2, the annual rate of the pension to which the individual became entitled,
  - (b) in the case of benefit crystallisation event 3, the increase in the annual rate of the pension, and
  - (c) in the case of benefit crystallisation event 6, the amount of the lump sum.
- (8C) If, during the pension input period, an adjustment to the annual rate of the pension, or the amount of the lump sum, to which the individual would be entitled under the arrangement has been made in consequence of the scheme administrator satisfying a liability under section 237B in respect of the individual, if and to the extent that the adjustment is reflected in PE or LSE the amount of the adjustment is to be added to PE or LSE.
- (8D) But no amount is to be added under subsection (8C) by reason of an adjustment made in consequence of the scheme administrator satisfying a liability under section 237B <sup>F83</sup>in a case where—
- (a) the individual becomes actually entitled to all of the individual’s benefits under the pension scheme or benefit crystallisation event 5, 5A or 5B occurs in relation to the individual and the pension scheme, and
  - (b) the adjustment takes place after the individual becomes so entitled or the benefit crystallisation event occurs.]]

<sup>F84</sup>(9) .....

#### **Textual Amendments**

- F67** Words in s. 236(1) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 12\(2\)](#)
- F68** Words in s. 236(2) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 12\(3\)\(a\)](#)
- F69** Words in s. 236(2) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 12\(3\)\(b\)](#)
- F70** Words in s. 236(2) inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 12\(3\)\(c\)](#)
- F71** Words in s. 236(3) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 12\(4\)\(a\)](#)
- F72** Words in s. 236(3) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 12\(4\)\(b\)](#)
- F73** Words in s. 236(3) inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 12\(4\)\(c\)](#)

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- F74** S. 236(4)(5) substituted for s. 236(4)-(7) (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 12\(5\)](#)
- F75** Words in s. 236(4) substituted (with effect in accordance with arts. 2(d), 3(5) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [16\(a\)\(i\)](#)
- F76** Words in s. 236(4) omitted (with effect in accordance with arts. 2(d), 3(5) of the amending S.I.) by virtue of [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [16\(a\)\(ii\)](#)
- F77** S. 236(4A) inserted (with effect in accordance with arts. 2(d), 3(5) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [16\(b\)](#)
- F78** Words in s. 236(5) substituted (with effect in accordance with art. 2(d) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [16\(c\)\(i\)](#)
- F79** Words in s. 236(5) omitted (with effect in accordance with art. 2(d) of the amending S.I.) by virtue of [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [16\(c\)\(ii\)](#)
- F80** S. 236(5A)-(5C) inserted (with effect in accordance with art. 2(d) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [16\(d\)](#)
- F81** S. 236(5D) inserted (with effect in accordance with art. 3(6) of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [16\(e\)](#)
- F82** S. 236(8)-(8D) substituted for s. 236(8) (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 12\(6\)](#)
- F83** Words in s. 236(8D) substituted (with effect in accordance with art. 7 of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [16\(f\)](#)
- F84** S. 236(9) omitted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 12\(7\)](#)

#### **Modifications etc. (not altering text)**

- C20** Ss. 230-237 modified (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), [Sch. 35 para. 5\(2\)](#)
- C46** S. 236 applied (with modifications) (6.4.2006) by [The Registered Pension Schemes \(Restriction of Employers Relief\) Regulations 2005 \(S.I. 2005/3458\)](#), regs. 1(1), [7](#) (with regs. 2-4)
- C47** S. 236 applied (with modifications) (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), [Sch. 35 para. 6\(6\)](#)

#### **Commencement Information**

- I9** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

### **[<sup>F85</sup>236A] Post-entitlement enhancements**

- (1) This section applies in relation to the arrangement if, during the pension input period (“the affected pension input period”), the individual enters into a scheme for the making of an avoidance-inspired post-entitlement enhancement.
- (2) A “post-entitlement enhancement” is an increase in the annual rate of a scheme pension under the arrangement, at a time after the member has become entitled to the scheme pension.



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- (3) A post-entitlement enhancement is “avoidance-inspired” if the main purpose, or one of the main purposes, of the individual in entering into the scheme was to avoid or reduce a liability to the annual allowance charge.
- (4) This Part has effect in relation to the arrangement and the individual, as respects the affected pension input period and all subsequent pension input periods, as if—
  - (a) section 234 were modified in accordance with subsection (5), and
  - (b) sections 235 and 236 were omitted.
- (5) The modifications of section 234 are that—
  - (a) in subsection (4), for the words after “the arrangement is” there are substituted “ such amount as, applying normal actuarial practice, is the expected cost of giving effect to the individual's rights under the arrangement at the end of the immediately preceding pension input period (or is nil if the pension input period is the first pension input period of the arrangement). ”,
  - (b) in subsection (5), for the words after “the arrangement is” there are substituted “ such amount as, applying normal actuarial practice, is the expected cost of giving effect to the individual's rights under the arrangement at the end of the pension input period. ”, and
  - (c) subsection (6) is omitted.
- (6) In this section “scheme” includes any arrangements, agreement, understanding, transaction or series of transactions (whether or not legally enforceable).]

#### Textual Amendments

**F85** S. 236A inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 13](#)

### 237 Hybrid arrangements

- (1) The pension input amount in respect of a hybrid arrangement is the greater or greatest of such of input amounts A, B and C as are relevant input amounts.
- (2) An input amount is a relevant input amount in the case of a hybrid arrangement if, in any circumstances, the benefits that may be provided to or in respect of the individual under the arrangement may be benefits of the variety mentioned in the definition of that input amount.
- (3) Input amount A is what would be the pension input amount under sections 230 to 232 if the benefits provided to or in respect of the individual under the arrangement were cash balance benefits.
- (4) Input amount B 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 other money purchase benefits.
- (5) Input amount C is what would be the pension input amount under sections 234 to <sup>[F86]</sup>236A if the benefits provided to or in respect of the individual under the arrangement were defined benefits.



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#### Textual Amendments

**F86** Word in s. 237(5) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 14](#)

#### Modifications etc. (not altering text)

**C20** Ss. 230-237 modified (21.7.2009) by [Finance Act 2009 \(c. 10\)](#), [Sch. 35 para. 5\(2\)](#)

**C48** S. 237 applied (with modifications) (6.4.2006) by [The Registered Pension Schemes \(Restriction of Employers Relief\) Regulations 2005 \(S.I. 2005/3458\)](#), regs. 1(1), [8](#) (with regs. 2-4)

#### Commencement Information

**I10** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see s. 284

### [<sup>F87</sup> 237A] Liability of individual

- (1) The individual is liable to the annual allowance charge.
- (2) The individual is liable to the annual allowance charge whether or not—
  - (a) the individual, and
  - (b) the scheme administrator of the pension scheme or pension schemes concerned,are resident<sup>F88</sup> ... or domiciled in the United Kingdom.

#### Textual Amendments

**F87** Ss. 237A-237F inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 15](#)

**F88** Words in s. 237A(2) omitted (with effect in accordance with Sch. 46 para. 132 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 46 para. 128](#)

### 237B Liability of scheme administrator

- (1) This section applies if—
  - (a) the amount of the individual's liability to the annual allowance charge for a tax year exceeds £2,000, and
  - (b) the pension scheme input amount in the case of the individual in relation to a registered pension scheme for the tax year exceeds the amount of the annual allowance specified in section 228(1) for the tax year.
- (2) The pension scheme input amount in the case of the individual in relation to a pension scheme for a tax year is the aggregate of the pension input amounts for the tax year in respect of arrangements relating to the individual under the pension scheme.

[ If the chargeable amount for the tax year in the individual's case is the alternative<sup>F89</sup>(2A) chargeable amount, each of the following is treated as being a reference to the amount that the annual allowance charge for the tax year would be in the individual's case if the chargeable amount were the default chargeable amount—

- (a) the reference in subsection (1)(a) to the amount of the individual's liability to the annual allowance charge for the tax year, and

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- (b) the reference in subsection (3) to the annual allowance charge arising in the case of the individual.]
- (3) The individual may give a notice to the scheme administrator of the pension scheme specifying that the individual and the scheme administrator are to be jointly and severally liable in respect of so much of the annual allowance charge arising in the case of the individual as—
- (a) does not exceed the amount of the annual allowance charge which would be chargeable on the excess mentioned in subsection (1)(b) if it were charged at the relevant rate, and
  - (b) is specified in the notice,  
 (“the joint liability amount”).
- (4) In subsection (3)(a) “the relevant rate” means—
- (a) in relation to so much of the excess as does not exceed the amount (if any) on which tax is chargeable in the case of the individual for the tax year at the additional rate [<sup>F90</sup>or the Scottish additional rate] by virtue of paragraph (c) of subsection (4A) of section 227, the additional rate [<sup>F91</sup>or, in the case of a Scottish taxpayer, the Scottish additional rate,]
  - (b) in relation to so much of the excess as is not within paragraph (a) and does not exceed the amount (if any) on which tax is so chargeable at the higher rate [<sup>F92</sup>or the Scottish higher rate] by virtue of paragraph (b) of that subsection, the higher rate [<sup>F93</sup>or, in the case of a Scottish taxpayer, the Scottish higher rate], and
  - (c) in relation to any remaining part of the excess, the basic rate [<sup>F94</sup>or, in the case of a Scottish taxpayer, the Scottish basic rate].
- (5) The notice—
- (a) must be given not later than 31 July in the year following that in which the tax year ends (but subject to subsection (6)),
  - (b) must be made in such manner and form, and contain such particulars, as may be prescribed by regulations made by the Commissioners for Her Majesty's Revenue and Customs, and
  - (c) may be amended by giving the scheme administrator notice in accordance with provision made by regulations made by the Commissioners for Her Majesty's Revenue and Customs but may not be revoked.
- (6) [<sup>F95</sup>A notice may not be given after] the individual becomes actually entitled to all of the individual's benefits under the pension scheme <sup>F96</sup>... or benefit crystallisation event 5, 5A or 5B occurs <sup>F96</sup>... in relation to the individual and the pension scheme, <sup>F97</sup>....
- (7) On receipt by the scheme administrator of the notice the scheme administrator and the individual become jointly and severally liable to pay the joint liability amount, but subject to sections 237C and 237D and to any amendment made to the notice in accordance with regulations under subsection (5)(c).
- (8) The scheme administrator is liable under subsection (7) whether or not—
- (a) the individual, and
  - (b) the scheme administrator,
- are resident<sup>F98</sup>... or domiciled in the United Kingdom.
- (9) Where (but for this subsection) a notice could be given to a scheme administrator of a pension scheme but, before it is given, there is a transfer of all of the sums or assets—

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- (a) held for the purposes of, or  
(b) representing accrued rights under,  
[<sup>F99</sup>arrangements relating to the individual under the pension scheme] so as to become held for the purposes of, or to represent rights under, another registered pension scheme, the notice may not be given to that scheme administrator but may instead be given to the scheme administrator of that other pension scheme.
- (10) The Treasury may by regulations make provision modifying the operation of this section in other cases in which there is a transfer of any of the sums or assets—  
(a) held for the purposes of, or  
(b) representing accrued rights under,  
the pension scheme so as to become held for the purposes of, or to represent rights under, another registered pension scheme.
- (11) The Treasury may by order amend paragraph (a) of subsection (1) so as to increase the sum for the time being specified in that paragraph.

#### Textual Amendments

- F87** Ss. 237A-237F inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 15](#)
- F89** S. 237B(2A) inserted (17.12.2014) by [Taxation of Pensions Act 2014 \(c. 30\)](#), [Sch. 1 para. 68](#)
- F90** Words in s. 237B(4)(a) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Scottish Rate of Income Tax \(Consequential Amendments\) Order 2015 \(S.I. 2015/1810\)](#), arts. 1(1), [7\(3\)\(a\)\(i\)](#)
- F91** Words in s. 237B(4)(a) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Scottish Rate of Income Tax \(Consequential Amendments\) Order 2015 \(S.I. 2015/1810\)](#), arts. 1(1), [7\(3\)\(a\)\(ii\)](#)
- F92** Words in s. 237B(4)(b) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Scottish Rate of Income Tax \(Consequential Amendments\) Order 2015 \(S.I. 2015/1810\)](#), arts. 1(1), [7\(3\)\(b\)\(i\)](#)
- F93** Words in s. 237B(4)(b) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Scottish Rate of Income Tax \(Consequential Amendments\) Order 2015 \(S.I. 2015/1810\)](#), arts. 1(1), [7\(3\)\(b\)\(ii\)](#)
- F94** Words in s. 237B(4)(c) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Scottish Rate of Income Tax \(Consequential Amendments\) Order 2015 \(S.I. 2015/1810\)](#), arts. 1(1), [7\(3\)\(c\)](#)
- F95** Words in s. 237B(6) substituted (with effect in accordance with art. 8 of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [17\(a\)\(i\)](#)
- F96** Words in s. 237B(6) omitted (with effect in accordance with art. 8 of the amending S.I.) by virtue of [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [17\(a\)\(ii\)](#)
- F97** Words in s. 237B(6) omitted (with effect in accordance with art. 8 of the amending S.I.) by virtue of [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [17\(a\)\(iii\)](#)
- F98** Words in s. 237B(8) omitted (with effect in accordance with Sch. 46 para. 132 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 46 para. 129](#)
- F99** Words in s. 237B(9) substituted (with effect in accordance with art. 9 of the amending S.I.) by [The Finance Act 2004 \(Registered Pension Schemes and Annual Allowance Charge\) \(Amendment\) Order 2015 \(S.I. 2015/80\)](#), arts. 1, [17\(b\)](#)

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**Modifications etc. (not altering text)**

**C49** S. 237B(5)(a) applied (with modifications) (19.7.2011) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 32](#)

**237C Exceptions**

- (1) The scheme administrator of a pension scheme does not become liable under section 237B if the time when the scheme administrator would become liable is during an assessment period in relation to the pension scheme; and if an assessment period in relation to a pension scheme begins at a time when the scheme administrator is already so liable (but has not satisfied the liability), the liability ceases when the assessment period begins.

References to an assessment period are to be construed in accordance with sections 132 and 159 of the Pensions Act 2004 and articles 116 and 143 of the Pensions (Northern Ireland) Order 2005 (S.I. 2005/255 (N.I. 1)).

- (2) The scheme administrator of a pension scheme is not liable under section 237B in respect of any amount if there is no power to make a consequential adjustment to the entitlement of the individual concerned to benefits under the pension scheme in respect of the amount because of section 237E(2) (inalienability of guaranteed minimum pension etc).
- (3) The Treasury may by regulations prescribe other circumstances in which a scheme administrator of a pension scheme does not become, or ceases to be, liable under section 237B.

**Textual Amendments**

**F87** Ss. 237A-237F inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 15](#)

**237D Discharge of scheme administrator's liability**

- (1) If the scheme administrator of a pension scheme is liable under section 237B, the scheme administrator may apply to an officer of Revenue and Customs for the discharge of the scheme administrator's liability on either of the following grounds.
- (2) The grounds are—
- (a) that paying the amount to which the scheme administrator is liable would be to the substantial detriment of the interests of the members of the pension scheme, and
  - (b) that in all the circumstances of the case it would not be just and reasonable for the scheme administrator to be liable to that amount.
- (3) On receiving an application under subsection (1), an officer of Revenue and Customs must decide whether to discharge the scheme administrator's liability.
- (4) An officer of Revenue and Customs must notify the scheme administrator of the decision on the application.
- (5) The discharge of the scheme administrator's liability does not affect the liability of any other person in respect of the same amount.

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- (6) The Treasury may by regulations amend this section so as to alter the grounds on which an application under subsection (1) may be made.
- (7) Regulations made by the Commissioners for Her Majesty's Revenue and Customs may make provision supplementing this section; and the regulations may in particular make provision as to the time limits for the making of an application.

#### Textual Amendments

**F87** Ss. 237A-237F inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 15](#)

### 237E Consequential benefit adjustments to be reasonable etc

- (1) Where the scheme administrator of a pension scheme satisfies a liability under section 237B in respect of the individual, consequential adjustment must be made to the entitlement of the individual to benefits under the pension scheme on a basis that is just and reasonable having regard to normal actuarial practice.
- (2) Any power to make such consequential adjustment is subject to section 159 of the Pension Schemes Act 1993 or section 155 of the Pension Schemes (Northern Ireland) Act 1993 (inalienability of guaranteed minimum pension etc).

#### Textual Amendments

**F87** Ss. 237A-237F inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 15](#)

### 237F Power to modify rules

The Commissioners for Her Majesty's Revenue and Customs may by regulations make any modification of the rules of registered pension schemes that appear appropriate to facilitate the operation of sections 237A to 237E.]

#### Textual Amendments

**F87** Ss. 237A-237F inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 15](#)

### 238 Pension input period

- (1) In the case of an arrangement under a registered pension scheme the following are pension input periods—
  - (a) the period beginning with the relevant commencement date and ending with <sup>F100</sup>—
    - (i) a nominated date falling before the anniversary of the relevant commencement date, or

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- (ii) if there is not such a nominated date, the first 5 April after the relevant commencement date (or, if the relevant commencement date is itself 5 April, that date), and]
- (b) each subsequent period beginning immediately after the end of a period which is a pension input period (under paragraph (a) or this paragraph) and ending with the appropriate date.
- (2) “The relevant commencement date” means—
- (a) in the case of a cash balance arrangement or a defined benefits arrangement, or a hybrid arrangement the only benefits under which may be cash balance benefits or defined benefits, the date on which rights under the arrangement begin to accrue to or in respect of the individual,
- (b) in the case of a money purchase arrangement other than a cash balance arrangement, the first date on which a contribution within section 233(1) is made, and
- (c) in the case of a hybrid arrangement not within paragraph (a), whichever is the earlier of the date mentioned in that paragraph and the date mentioned in paragraph (b).
- (3) “Nominated date” means—
- (a) in the case of a money purchase arrangement other than a cash balance arrangement, such date as the individual or scheme administrator nominates, and
- (b) in the case of any other arrangement, such date as the scheme administrator nominates.
- (4) A nomination for the purposes of subsection (3)—
- (a) if by the individual, is to be made by notice to the scheme administrator, and
- (b) if by the scheme administrator, is to be made by notice to the individual.
- [<sup>F101</sup>(4A) A date nominated for the purposes of subsection (3) must not be a date before that on which the nomination is made.]
- (5) If more than one date is nominated for the purposes of subsection (3)—
- (a) in relation to the period beginning with the relevant commencement date, or
- (b) in relation to a tax year following that in which the pension input period beginning with that date ends,
- the date nominated first is the nominated date.
- (6) “The appropriate date” means <sup>F102</sup>...—
- (a) a nominated date falling in the tax year immediately after that in which the last pension input period ended, [<sup>F103</sup>or]
- (b) [<sup>F104</sup>if there is not such a nominated date,] the anniversary of the date on which that period ended.
- (7) Once the individual has become entitled to all the benefits which may be provided to the individual under an arrangement, the last pension input period in the case of the arrangement is [<sup>F105</sup>that in which] that was first so.

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#### Textual Amendments

- F100** S. 238(1)(a)(i)(ii) substituted for words (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 16\(2\)](#)
- F101** S. 238(4A) inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 16\(3\)](#)
- F102** Words in s. 238(6) omitted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 16\(4\)\(a\)](#)
- F103** Word in s. 238(6) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 16\(4\)\(b\)](#)
- F104** Words in s. 238(6)(b) inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 16\(4\)\(c\)](#)
- F105** Words in s. 238(7) substituted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 16\(5\)](#)

#### Modifications etc. (not altering text)

- C50** S. 238(3) modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), [Sch. 3 Pt. 1](#)
- C51** S. 238(4) modified (6.4.2006) by [The Registered Pension Schemes \(Splitting of Schemes\) Regulations 2006 \(S.I. 2006/569\)](#), regs. 1(1), 3(1)(2), [Sch. 3 Pt. 1](#)

#### Commencement Information

- I11** Ss. 160-274, 281, Schs. 30-35 in force at 6.4.2006 but any power to make an order or regulations under those provisions may be exercised at any time after Royal Assent, see [s. 284](#)

### [<sup>F106</sup>238A Power to make orders about charge

- (1) The Treasury may by order make provision about the annual allowance charge.
- (2) The provision may include modifications of any of sections 227 to 238.
- (3) The provision may include provision consequential on, or supplementary or incidental to, the provision made by those sections and transitional provisions (including provision making modifications of enactments).
- (4) “Modifications” includes amendments.]

#### Textual Amendments

- F106** S. 238A inserted (with effect in accordance with Sch. 17 Pt. 2 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 17 para. 17](#)

**Status:**

Point in time view as at 21/10/2015.

**Changes to legislation:**

There are currently no known outstanding effects for the Finance Act 2004, Cross Heading:  
Annual allowance charge.