

Status: Point in time view as at 21/07/2008.

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SCHEDULES

SCHEDULE 29

FURTHER PROVISION ABOUT PENSION SCHEMES

Benefit crystallisation event 3

- 4 Part 4 of FA 2004 (pension schemes etc) is amended as follows.
- 5 In the table in section 216(1) (benefit crystallisation events), in benefit crystallisation event 3 (becoming entitled to pension at increased annual rate), in column 1, after “rate which” insert “—
- (a) exceeds the threshold annual rate, and
 - (b) ”.
- 6 Schedule 32 (benefit crystallisation events: supplementary) is amended as follows.
- 7 (1) Paragraph 10 (benefit crystallisation event 3: excepted circumstances) is amended as follows.
- (2) The existing provision becomes sub-paragraph (1).
 - (3) For paragraph (b) of that sub-paragraph substitute—
 - “(b) that the individual is one of a class of at least 20 pensioner members of the pension scheme, and all the scheme pensions being paid under the pension scheme to pensioner members of that class are at that time increased at the same rate.”
 - (4) After that sub-paragraph insert—
 - “(2) A class may consist of all the pensioner members of the pension scheme.
 - (3) Sub-paragraph (4) applies where—
 - (a) the annual rate of the individual's pension is increased in excepted circumstances (“the excepted increase”),
 - (b) before the end of the period of 12 months beginning with the date of the excepted increase, the annual rate of the individual's pension is increased in circumstances which would (apart from that sub-paragraph) be excepted circumstances (“the subsequent increase”), and
 - (c) the class by virtue of which sub-paragraph (1)(b) is satisfied on the subsequent increase (“the new class”) is not the class by virtue of which it was satisfied on the excepted increase.
 - (4) If the purpose, or one of the main purposes, of the individual's being included in the new class is to increase the annual rate of the individual's pension without benefit crystallisation event 3 occurring, the subsequent increase is not in excepted circumstances.”
- 8 After that paragraph insert—

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“Benefit crystallisation event 3: threshold annual rate

- 10A(1) This paragraph applies for the purposes of benefit crystallisation event 3.
- (2) The threshold annual rate is the annual rate of the pension on the date of which the increase date is the first anniversary, increased by the greatest of—
- (a) the relevant percentage rate,
 - (b) the relevant indexation percentage, and
 - (c) £250,
- and rounded up in accordance with sub-paragraph (8).
- (3) But if the person became entitled to the pension after the date of which the increase date is the first anniversary, the threshold annual rate is the annual rate of the pension on the date on which the person became entitled to the pension, increased and rounded up as mentioned in sub-paragraph (2).
- (4) The increase date is the date on which the individual becomes entitled to payment of the pension at the increased annual rate.
- (5) The relevant percentage rate is—
- (a) in a case where the pension is paid under a pension scheme, or an arrangement under a pension scheme, in relation to which the relevant valuation factor is a number greater than 20, the rate agreed by the Commissioners for Her Majesty's Revenue and Customs and the scheme administrator, and
 - (b) otherwise, 5%.
- (6) The relevant indexation percentage means—
- (a) if the retail prices index for the reference month is higher than the retail prices index for the same calendar month in the previous year, the percentage increase in the retail prices index, and
 - (b) if it is not, 0%.
- (7) The scheme administrator may select as the reference month any month in the period of 12 months ending with the month in which the increase date falls.
- (8) An amount is rounded up in accordance with this sub-paragraph if it is rounded up to the next greatest amount which—
- (a) where the pension is payable monthly, gives an amount of whole pounds when divided by 12, or
 - (b) where the pension is payable weekly, gives an amount of whole pounds when divided by 52.
- (9) If the pension is under a public service pension scheme, any abatement of the pension is to be left out of account in determining for the purposes of this paragraph the annual rate of the pension on the date of which the increase date is the first anniversary (or, where sub-paragraph (3) applies, the date on which the person became entitled to the pension).
- (10) An individual who becomes entitled to payment of a scheme pension at an increased annual rate on 29 February in any year is to be treated for the

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purposes of this paragraph as having become so entitled on 28 February in that year.

(11) The Treasury may by order substitute for the amount for the time being specified in sub-paragraph (2)(c) a different amount (including an amount to be calculated as a percentage of the standard lifetime allowance).”

9 (1) Paragraph 11 (benefit crystallisation event 3: permitted margin) is amended as follows.

(2) In sub-paragraph (6)—

- (a) for “month in which the individual becomes entitled to payment of the pension at the increased rate” substitute “reference month”, and
- (b) for “month in which the individual became entitled to the pension” substitute “base month”.

(3) After sub-paragraph (7) insert—

“(7A) The scheme administrator may select as the reference month any month in the period of 12 months ending with the month in which the individual becomes entitled to payment of the pension at the increased rate.

(7B) The base month is the month which is the same number of months before the month in which the individual became entitled to the pension, as the reference month is before the month in which the individual becomes entitled to payment of the pension at the increased rate.”

10 In paragraph 13 (benefit crystallisation event 3: meaning of XP), for sub-paragraph (2) substitute—

“(2) But if one or more benefit crystallisation events has or have previously occurred by reason of the individual having become entitled to payment of the pension at an increased rate, XP does not include the amount of XP on that event or the aggregate of the amounts of XP on those events.

(2A) For the purposes of sub-paragraph (2), the amount of XP on a previous benefit crystallisation event is to be increased by whichever of calculation A and calculation B gives the greater amount.

(2B) Calculation A involves increasing the amount of XP on the previous event at the relevant annual percentage rate for the whole of the period—

- (a) beginning with the month in which the previous event occurred, and
- (b) ending with the month in which the individual becomes entitled to payment of the pension at the increased rate.

(2C) The relevant annual percentage rate has the same meaning as in paragraph 11(4).

(2D) Calculation B involves increasing the amount of XP on the previous event by the relevant indexation percentage.

(2E) The relevant indexation percentage is—

- (a) if the retail prices index for the reference month is higher than the retail prices index for the base month, the percentage increase in the retail prices index, and
- (b) if it is not, 0%.

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- (2F) The scheme administrator may select as the reference month any month in the period of 12 months ending with the month in which the individual becomes entitled to payment of the pension at the increased rate.
- (2G) The base month is the month which is the same number of months before the month in which the previous event occurred, as the reference month is before the month in which the individual becomes entitled to payment of the pension at the increased rate.”
- 11 In consequence of the amendment made by paragraph 7(3), in Schedule 10 to FA 2005, omit paragraph 44.
- 12 (1) The amendments made by paragraphs 9(2) and (3) come into force on 6 April 2008.
- (2) The amendment made by paragraph 10 has effect for the purposes of any benefit crystallisation event 3 occurring on or after 10 October 2007 (including the calculation, for the purposes of such an event, of the amount of XP on any benefit crystallisation event occurring before that date).
- (3) Subject to that, the amendments made by paragraphs 4 to 11 are treated as having come into force on 6 April 2006.

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