



# Finance Act 2013

## 2013 CHAPTER 29

### PART 1

#### INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

### CHAPTER 4

#### PENSIONS

#### **47 Lifetime allowance charge: power to amend the transitional provision in Part 2 of Schedule 18 to FA 2011 etc**

(1) Part 2 of Schedule 18 to FA 2011 (lifetime allowance charge: commencement and transitional provision relating to changes made for the tax year 2012-13 and onwards) is amended as follows.

(2) In paragraph 14—

- (a) omit sub-paragraphs (2) and (15) to (17) (which confer power on the HMRC Commissioners to make provision specifying how notices under paragraph 14 are to be given),
- (b) in sub-paragraph (7) omit “the annual rate of” where it first appears, and
- (c) in sub-paragraph (11) after “(5)(a)” insert “ and (c)(i) ”.

(3) After paragraph 14 insert—

“15

- (1) The Commissioners for Her Majesty's Revenue and Customs may by regulations amend paragraph 14.
- (2) Regulations under this paragraph may (for example) add to the cases in which paragraph 14 is to apply or is to cease to apply.
- (3) Regulations under this paragraph may include provision having effect in relation to a time before the regulations are made; but—

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- (a) the time must be no earlier than 6 April 2012, and
  - (b) the provision must not increase any person's liability to tax.
- (4) In relation to regulations under this paragraph made during 2013, sub-paragraph (3) has effect with the omission of paragraph (b) so long as the time in question is no earlier than 6 April 2013.
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- (1) The Commissioners for Her Majesty's Revenue and Customs may by regulations make provision specifying how any notice required to be given to an officer of Revenue and Customs under paragraph 14 is to be given.
  - (2) In sub-paragraph (1) the reference to paragraph 14 is to that paragraph as amended from time to time by regulations under paragraph 15.
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- (1) Regulations under paragraph 15 or 16 may include supplementary or incidental provision.
  - (2) The powers to make regulations under paragraphs 15 and 16 are exercisable by statutory instrument.
  - (3) A statutory instrument containing regulations under paragraph 15 or 16 is subject to annulment in pursuance of a resolution of the House of Commons.”
- (4) The amendments made by subsection (2)(b) and (c) are treated as having come into force on 6 April 2012.
- (5) The Registered Pension Schemes (Lifetime Allowance Transitional Protection) Regulations 2011 (S.I. 2011/1752) are to continue to have effect and, so far as they were made under paragraph 14(2) and (15) of Schedule 18 to FA 2011, are to be treated as if they were made under paragraphs 16 and 17(1) of that Schedule (as inserted by subsection (3) above).
- 48      Lifetime allowance charge: new standard lifetime allowance for the tax year 2014-15 and subsequent tax years**
- (1) Section 218 of FA 2004 (standard lifetime allowance etc) is amended as follows.
  - (2) For subsection (2) substitute—
    - “(2) The standard lifetime allowance for the tax year 2014-15 and, subject to subsection (3), subsequent tax years is £1,250,000.”
  - (3) In subsection (3) for “the tax year 2012-13” substitute “ the tax year 2014-15 ”.
  - (4) The amendments made by subsections (2) and (3) have effect for the tax year 2014-15 and subsequent tax years.
  - (5) Schedule 22 contains transitional provision etc.
- 49      Annual allowance: new annual allowance for the tax year 2014-15 and subsequent tax years**
- (1) Section 228 of FA 2004 (annual allowance) is amended as follows.

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(2) For subsection (1) substitute—

“(1) The annual allowance for the tax year 2014-15 and, subject to subsection (2), each subsequent tax year is £40,000.”

(3) In subsection (2) for “2011-12” substitute “ 2014-15 ”.

(4) The amendments made by this section have effect for the tax year 2014-15 and subsequent tax years.

## **50 Drawdown pensions and dependants' drawdown pensions**

(1) In section 165 of FA 2004 (pension rules), in subsection (1), in pension rule 5, for “100%” substitute “ 120% ”.

(2) In section 167 of that Act (pension death benefit rules), in subsection (1), in pension death benefit rule 4, for “100%” substitute “ 120% ”.

(3) In Schedule 16 to FA 2011 (benefits under pension schemes)—

(a) in paragraph 90(2)(a), after “year” insert “ beginning before 26 March 2013 and ”,

(b) in paragraph 90(3), omit paragraph (b) and the “and” before it,

(c) in paragraph 98(2)(a), after “year” insert “ beginning before 26 March 2013 and ”, and

(d) in paragraph 98(3), omit paragraph (b) and the “and” before it.

(4) The amendments made by subsections (1) and (2) have effect in relation to drawdown pension years beginning on or after 26 March 2013.

(5) The amendments made by subsection (3)(a) and (c) are treated as having come into force on 26 March 2013.

(6) The amendments made by subsection (3)(b) and (d) have effect in relation to transfers within paragraph 90(5) or 98(5) of Schedule 16 to FA 2011 occurring during a drawdown pension year ending on or after 25 March 2013.

## **51 Bridging pensions**

(1) FA 2004 is amended as follows.

(2) In paragraph 2 of Schedule 28 (pension rules: meaning of scheme pension)—

(a) in sub-paragraph (4)(c)—

(i) for the words from “not earlier” to “65” substitute “ during the permitted period ”, and

(ii) after “which” insert “ together with any previous reductions of the kind referred to in this paragraph (c) ”, and

(b) after sub-paragraph (4A) insert—

“(4B) In sub-paragraph (4)(c) “the permitted period” means the period beginning with the day on which the member reaches the age of 60 and ending with the day on which the member reaches the age of 65 or, if later, reaches pensionable age.”

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- (3) In paragraph 1 of Schedule 29 (pension commencement lump sums), in sub-paragraph (4)(a), omit the words from “at a time” to “65”.
- (4) In consequence of subsection (3), paragraph 21 of Schedule 23 to the FA 2006 is repealed.
- (5) The amendments made by this section have effect for the tax year 2013-14 and subsequent tax years.

## **52 Abolition of contracting out of state second pension: consequential amendments etc**

- (1) FA 2004 is amended as follows.
- (2) In section 188 (relief for contributions), in subsection (3) (contributions excluded from relief), omit paragraph (c) and the word “and” immediately preceding that paragraph.
- (3) In that section, omit subsection (6) (which treats certain amounts recovered by individual's employer as contributions paid by individual).
- (4) Omit section 190(5) (certain reliefs not to count towards annual limit for relief).
- (5) Omit section 196(5) (references to contributions to include references to minimum payments when determining relief for employers).
- (6) Omit section 202 (minimum contributions under pensions legislation).
- (7) Omit section 233(2) (references to contributions not to include references to minimum payments when determining pension input amount).
- (8) In paragraph 5 of Schedule 29 (short service refund lump sum), after sub-paragraph (2) insert—
  - “(2A) In sub-paragraph (2) the reference to the member's contributions includes—
    - (a) any amount paid under section 7 of the Social Security Act 1986 (incentive payments to schemes becoming contracted-out between 1986 and 1993),
    - (b) any amount paid by the Commissioners for Her Majesty's Revenue and Customs under section 42A(3) of the Pension Schemes Act 1993 or section 38A(3) of the Pension Schemes (Northern Ireland) Act 1993 (rebates), and
    - (c) any amount recovered by the member's employer under regulations falling within sub-paragraph (2B) in respect of minimum payments made to the scheme in relation to any period before 6 April 2012.
  - (2B) Those regulations are regulations which were made under—
    - (a) section 8(3) of the Pension Schemes Act 1993 (recovery of minimum payments), or
    - (b) section 4(3) of the Pension Schemes (Northern Ireland) Act 1993 (corresponding provision for Northern Ireland).”
- (9) Omit paragraph 14(2) of Schedule 36 (which excludes minimum payments from being relevant contributions for the purposes of enhanced protection from lifetime allowance charge).

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- (10) Subsections (1), (3) to (5) and (7) to (9) come into force on 6 April 2013.
- (11) Subsection (2) comes into force on 6 April 2015.
- (12) Subsection (6) comes into force on 6 April 2016, except that the repeal of section 202(5) of FA 2004 comes into force on such day as the Treasury may appoint by order made by statutory instrument.

### **53 Overseas pension schemes: general**

- (1) In section 150(8) of FA 2004 (meaning of “recognised overseas pension scheme”), for the words from “which” to the end substitute “ which satisfies any requirements prescribed for the purposes of this subsection by regulations made by the Commissioners for Her Majesty's Revenue and Customs. ”
- (2) Section 169 of that Act (pension schemes: recognised transfers) is amended as follows.
- (3) In subsection (2)(c), for “any prescribed information requirements imposed on the scheme manager” substitute “ any requirements imposed under subsection (4) ”.
- (4) For subsection (4) substitute—
  - “(4) Regulations may require the scheme manager of a QROPS or former QROPS to—
    - (a) give the Commissioners information of a prescribed description,
    - (b) give the Commissioners such evidence as they may require of a prescribed matter, and
    - (c) give a prescribed authority, in prescribed circumstances, information of a prescribed description.
  - (4A) Regulations under subsection (4) may make provision as to—
    - (a) the way and form in which information or evidence is to be given, and
    - (b) the times or intervals at which information or evidence is to be given.
  - (4B) The regulations may apply any provision of Part 7 of Schedule 36 to FA 2008 (penalties), with or without modifications, in relation to requirements imposed under the regulations on a former QROPS.”
- (5) In subsection (5)—
  - (a) for “the Inland Revenue has” substitute “ the Commissioners have ”,
  - (b) for paragraph (a) (but not the “and” at the end of it) substitute—
    - “(a) any of the following conditions is met in relation to the scheme—
      - (i) there has been a failure to comply with a relevant requirement and the failure is significant,
      - (ii) any information given pursuant to a relevant requirement is incorrect in a material respect,
      - (iii) any declaration given pursuant to a relevant requirement is false in a material respect,
      - (iv) there is no scheme manager,” and
    - (c) in paragraph (b), for “the failure” substitute “ that condition being met ”.
- (6) For subsection (6) substitute—

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- “(6) A failure to comply with a requirement is significant if—
- (a) it is a failure to give information or evidence that is (or may be) of significance, or
  - (b) there are reasonable grounds for believing that the failure prejudices (or might prejudice) the assessment or collection of tax by the Commissioners.”

(7) After subsection (7) insert—

- “(8) In subsections (4) to (6) and this subsection—
- “the Commissioners” means the Commissioners for Her Majesty’s Revenue and Customs;
  - “prescribed” means prescribed by regulations;
  - “QROPS” means a qualifying recognised overseas pension scheme, and “former QROPS” means a scheme that has at any time been a QROPS;
  - “regulations” means regulations made by the Commissioners;
  - “relevant requirement” means—
    - (a) a requirement imposed by regulations under subsection (4), or
    - (b) a requirement imposed by virtue of Part 1 of Schedule 36 to FA 2008 (powers to obtain information and documents).”

(8) In section 280(1) of that Act (abbreviations), insert at the appropriate place—

““FA 2008” means the Finance Act 2008.”.

## **54 Overseas pension schemes: information and inspection powers**

(1) Part 6 of Schedule 36 to FA 2008 (information and inspection powers: special cases) is amended as follows.

(2) In paragraph 34B (registered pension schemes etc)—

- (a) in sub-paragraph (2), omit the “or” at the end of paragraph (b) and, at the end of paragraph (c) insert—
  - “(d) a QROPS or former QROPS, or
  - (e) an annuity purchased with sums or assets held for the purposes of a QROPS or former QROPS.”;

(b) after sub-paragraph (4) insert—

“(4A) In relation to a notice to which this paragraph applies that refers only to information or documents relating to a matter within sub-paragraph (2)(d) or (e), paragraph 20 (old documents) has effect as if the reference to 6 years were to 10 years.”;

(c) after sub-paragraph (7) insert—

“(7A) Where the notice relates to a matter within sub-paragraph (2)(d) or (e), the officer of Revenue and Customs who gives the notice must give a copy of the notice to the scheme manager in relation to the pension scheme.”;

(d) in sub-paragraph (8), for “and (7)” substitute “to (7A)”.

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(3) In paragraph 34C (registered pension schemes etc: interpretation), insert at the appropriate places—

““QROPS” and “former QROPS” have the meanings given by section 169(8) of FA 2004;”;

““scheme manager”, in relation to a pension scheme, has the meaning given by section 169(3) of FA 2004.”

(4) In paragraphs 34B and 34C of Schedule 36 to FA 2008, references to a former QROPS include a scheme that ceased to be a QROPS before this Act was passed.

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