STATUTORY INSTRUMENTS

2025 No. 52

INCOME TAX

The MPs', Senedd and Assembly Pension Schemes (Tax) Regulations 2025

Made - - - -	*21st January 2025*
Laid before the House of Commons	*23rd January 2025*
Coming into force - -	*13th February 2025*

The Treasury make these Regulations in exercise of the powers conferred by section 15 of the Finance Act 2024(**a**).

PART 1

Introduction

Citation, commencement and effect

1.—(1) These Regulations may be cited as the MPs', Senedd and Assembly Pension Schemes (Tax) Regulations 2025.

(2) These Regulations come into force on 13th February 2025.

(3) These Regulations have effect in relation to the tax year 2024-25 and subsequent tax years.

Interpretation

2.—(1) In these Regulations—

"benefit crystallisation event" means a benefit crystallisation event within the meaning of Part 4 of FA 2004(**b**), as that Part had effect immediately before 6 April 2024, and references to a numbered benefit crystallisation event are to be construed accordingly;

(**a**) 2024 c. 3 (referred to in these footnotes as "FA 2024").

(**b**) "FA 2004" means the Finance Act 2004 (c. 12) by virtue of section 38 of FA 2024. Benefit crystallisation events were defined in section 216 and Schedule 32 to that Act. Before Schedule 9 of the Finance Act 2024 came into force, with effect for the tax year 2024-25 and subsequent tax years, section 216 was amended by paragraphs 31 and 42 of Schedule 10 to the Finance Act 2005 (c. 7), paragraph 30 of Schedule 23 to the Finance Act 2006 (c. 25), paragraphs 1 and 5 of Schedule 29 to the Finance Act 2008 (c. 9), paragraphs 43 and 73 of Schedule 16 to the Finance Act 2011 (c. 11), paragraph 16 of Schedule 1 and paragraph 21 of Schedule 2 to the Taxation of Pensions Act 2014 (c. 30), paragraph 4 of Schedule 4 to the Finance Act 2015 (c. 11) and paragraph 10 of Schedule 5 to the Finance Act 2021 (c. 26), before its repeal by paragraph 3 of Schedule 9 to FA 2024 with effect for the tax year 2024-25 and subsequent tax years; and Schedule 32 had been amended by paragraphs 8, 25 and 43 of Schedule 10 to the Finance Act 2005, paragraphs 7, 8, 9 and 10 of Schedule 29 to the Finance Act 2008, paragraphs 44 and 80 of Schedule 16 to the Finance Act 2011, paragraphs 27, 61 and 76 of Schedule 1 and paragraphs 19 and 24 of Schedule 2 to the Taxation of Pensions Act 2014, paragraph 7 of Schedule 4 to the Finance Act 2015, section 21(7) of the Finance (No. 2) Act 2015 (c. 33), paragraph

"lifetime allowance windfall charge" has the meaning given in regulation 16;

"member" means a member of a relevant pension scheme(**a**);

"rectification period" means, in relation to a member and a relevant pension scheme, the first pension input period(**b**) in which the member's benefits under a relevant pension scheme are adjusted as a result of a rectification exercise(**c**);

"relevant lifetime allowance charge" means—

(a) a lifetime allowance charge(**d**), or

(b) a charge to income tax arising by virtue of section 19 of the Finance (No. 2) Act 2023(**e**).

(2) Expressions used in these Regulations, unless otherwise provided, have the same meaning as in Part 4 of FA 2004 (pension schemes etc)(**f**).

PART 2

Rectification payments

Refund of contributions

3.—(1) The qualifying amount of a rectification payment(**g**) that falls within section 15(3)(b) of the Finance Act 2024 (refund of pension contributions)—

(a) does not give rise to a liability to income tax, and

(b) is to be treated as falling within section 164(1) of FA 2004 (authorised member payments)(**h**).

(2) In this regulation, the qualifying amount is—

(a) the amount of the refund of pension contributions, less

(b) the amount of any relief given in respect of those contributions in accordance with section 193 of FA 2004 (relief under net pay arrangements)(**i**).

Payment of pension benefits: pension arrears

4.—(1) This regulation applies where—

(a) as a result of a rectification exercise, there is an increase in the rate of scheme pension(**j**) payable to a member, or dependants' scheme pension(**k**) payable to a dependant of a member, under a relevant pension scheme,

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18 of Schedule 4 to the Finance Act 2017 (c. 10), paragraph 22 of Schedule 5 to the Finance Act 2021 and section 24(8) of the Finance (No. 2) Act 2023 (c. 30).

(**a**) "Relevant pension scheme" is defined in section 15(2) of FA 2024.

(**b**) "Pension input period" is defined in sections 238 to 238ZB of the Finance Act 2004.

(**c**) "Rectification exercise" is defined in section 15(6) of FA 2024.

(**d**) "Lifetime allowance charge" is defined in section 15(9) of FA 2024.

(**e**) 2023 c. 30. Section 19 was repealed by section 14(3) of FA 2024 with effect for the tax year 2024-25 and subsequent tax years.

(**f**) Section 280 of the Finance Act 2004 provides an index to Part 4.

(**g**) "Rectification payment" is defined in section 15(3) of FA 2024.

(**h**) The original section 164 was renumbered as section 164(1) by paragraph 1(2) of Schedule 29 to the Finance Act 2008. Section 164 was further amended by section 75(2)(a) of the Finance Act 2009 (c. 10), paragraph 85 of Schedule 1 to the Taxation of Pensions Act 2014, paragraph 3(1)(a) of Schedule 5 to the Finance Act 2016 (c. 24) and paragraph 16 of Schedule 9 to FA 2024.

(**i**) Section 193 was amended by paragraph 475 of Schedule 1 to the Income Tax Act 2007 (c. 3).

(**j**) "Scheme pension" is defined in section 15(9) of FA 2024.

(**k**) "Dependants' scheme pension" is defined in paragraph 16 of Schedule 28 to the Finance Act 2004.

(b) if the rectification exercise had been retrospective, that increase would have taken effect from an earlier date, and

(c) a payment is made to a specified individual that represents the amount of arrears that would have accrued if the increase was payable from that earlier date.

(2) In paragraph (1)(c), "specified individual" means an individual who is—

(a) the member,

(b) a dependant of the member,

(c) no longer a dependant of the member, but who previously met the condition in paragraph 15(2) of Schedule 28 to FA 2004 (meaning of dependant: child of the member), or

(d) the personal representative(**a**) of a deceased individual who fell within sub-paragraph (a), (b) or (c).

(3) The payment is to be treated—

(a) as falling within section 164(1) of FA 2004, and

(b) for the purposes of Part 9 of ITEPA 2003 (pension income)(**b**), as pension paid under a registered pension scheme accruing in the tax year in which the payment is made.

Payment of pension benefits: further defined benefits lump sum death benefit

5.—(1) This regulation applies where—

(a) a defined benefits lump sum death benefit(**c**) ("the original payment") was paid under a relevant pension scheme in respect of the death of a member,

(b) the original payment was made before the end of the relevant two-year period,

(c) as a result of a rectification exercise, the amount of the defined benefits lump sum death benefit payable under the scheme in respect of the death increases,

(d) a payment ("the later payment") is made in respect of the increase, and

(e) the later payment is not made before the end of the relevant two-year period.

(2) The later payment is to be treated for the purposes of the following provisions as having been made before the end of the relevant two-year period—

(a) section 637H(2), (3) and (4) of ITEPA 2003 (circumstances in which payment of defined benefits lump sum death benefit is subject to income tax)(**d**);

(b) section 206(1B) of FA 2004 (circumstances in which payment of defined benefits lump sum death benefit is subject to the special lump sum death benefits charge)(**e**).

(3) In this regulation, "the relevant two-year period" means the period of two years beginning with the earlier of the day on which the scheme administrator(**f**) of the scheme first knew of the member's death and the day on which that scheme administrator could first reasonably have been expected to have known of it.

Payment of pension benefits: pension commencement lump sum paid after death of member

6.—(1) This regulation applies where—

(**a**) "Personal representatives", in relation to a person who has died, is defined in section 989 of the Income Tax Act 2007.
(**b**) "ITEPA 2003" means the Income Tax (Earnings and Pensions) Act 2003 (c. 1) by virtue of section 38 of FA 2024.
(**c**) "Defined benefits lump sum death benefit" is defined in paragraph 13 of Schedule 29 to the Finance Act 2004.
(**d**) Section 637H was inserted by paragraph 41 of Schedule 9 to FA 2024.
(**e**) Section 206(1B) was inserted by paragraph 17(3) of Schedule 2 to the Taxation of Pensions Act 2014 and amended by section 21(2) and (3) of the Finance (No. 2) Act 2015.
(**f**) "Scheme administrator" is defined in section 270 of the Finance Act 2004.

(a) as a result of a rectification exercise, an amount by way of lump sum becomes payable to a member, or to a member's personal representatives, under a relevant pension scheme,

(b) the lump sum is paid to the member's personal representatives after the member's death, and

(c) if the lump sum had been paid during the life of the member, it would have been a pension commencement lump sum(**a**).

(2) The payment is to be treated as a pension commencement lump sum to which the member had become entitled for the purposes of—

(a) Part 4 of FA 2004, and

(b) Part 9 of ITEPA 2003.

(3) For the purposes of section 637S of ITEPA 2003 (availability of individual's lump sum and death benefit allowance)(**b**), a relevant benefit crystallisation event in respect of a payment that falls within this regulation is to be treated as having occurred before any relevant benefit crystallisation event that occurs, in relation to the member, in respect of a defined benefits lump sum death benefit.

PART 3

Tax redress payments

Income tax and authorised member payments

7.—(1) No liability to income tax arises in respect of the qualifying amount of a tax redress payment(**c**).

(2) Where a tax redress payment is made by a relevant pension scheme, the qualifying amount of that payment is to be treated as falling within section 164(1) of FA 2004.

(3) In this regulation, the "qualifying amount" of a tax redress payment means an amount that is specified as such in the following provisions of this Part.

Redress for annual allowance charge: tax years 2015-16 to 2023-24

8.—(1) This regulation applies where a tax redress payment is made in respect of a member's liability to an annual allowance charge(**d**) for a tax year in the period beginning with 2015-16 and ending with 2023-24.

(2) The qualifying amount is—

(a) the amount of any annual allowance charge paid by the member in respect of that tax year, less

(b) the amount of any annual allowance charge to which the member would have been liable for that tax year if the rectification exercise had been retrospective.

(3) For the purposes of paragraph (2)(a), an amount does not count as having been paid by the member if it was paid by a scheme administrator—

(**a**) "Pension commencement lump sum" is defined in paragraph 1 of Schedule 29 to the Finance Act 2004. By virtue of section 637 of the Income Tax (Earnings and Pensions) Act 2003, expressions used in Chapter 15A of Part 9 of that Act and Part 4 of the Finance Act 2004 have the same meaning as they do in Part 4 of the Finance Act 2004.
(**b**) Section 637S was inserted by paragraph 41 of Schedule 9 to FA 2024 and amended by S.I. 2024/1012.
(**c**) "Tax redress payment" is defined in section 15(4) of FA 2024.
(**d**) Section 227 of the Finance Act 2004 provides for a charge to income tax, to be known as the annual allowance charge.

(a) in accordance with a notice under section 237B(3) of FA 2004 (liability of scheme administrator)(**a**), or

(b) by agreement with the member.

Redress for annual allowance charge: tax year of rectification exercise

9.—(1) This regulation applies where a tax redress payment is made in respect of a member's liability to an annual allowance charge for the tax year in which a rectification exercise that affects the member takes place.

(2) The qualifying amount is—

(a) the amount of any annual allowance charges paid by the member in respect of the tax years in the period beginning with 2015-16 and ending with the tax year in which the rectification exercise takes place, less

(b) the amount of any annual allowance charges to which the member would have been liable for those tax years if the rectification exercise had been retrospective.

(3) If a payment is made that falls within regulation 8, the tax year to which that payment relates is not to be taken into account, in relation to the same scheme, for the purposes of paragraph (2).

(4) For the purposes of paragraph (2)(a), an amount does not count as having been paid by the member if it was paid by a scheme administrator—

(a) in accordance with a notice under section 237B(3) of FA 2004, or

(b) by agreement with the member.

Redress for relevant lifetime allowance charge: relevant pension scheme

10.—(1) This regulation applies where a tax redress payment is made to a recipient in respect of a relevant lifetime allowance charge that was paid by the recipient as a result of a benefit crystallisation event having occurred in respect of a member under a relevant pension scheme in a tax year in the period beginning with 2015-16 and ending with 2023-24.

(2) The qualifying amount is—

(a) the amount of the relevant lifetime allowance charge that was paid by the recipient in respect of the benefit crystallisation event, less

(b) both—

(i) the amount of the relevant lifetime allowance charge that would have arisen in respect of that benefit crystallisation event if the rectification exercise had been retrospective, and

(ii) any overpaid amount that the recipient has not repaid to the relevant pension scheme.

(3) For the purposes of paragraphs (1) and (2)(a), an amount does not count as having been paid by the recipient if it was paid by a scheme administrator.

(4) In this regulation—

"overpaid amount" means the amount by which—

(**a**) Section 237B was inserted by paragraph 15 of Schedule 17 to the Finance Act 2011 and amended by paragraph 129 of Schedule 46 to the Finance Act 2013 (c. 29), paragraph 68 of Schedule 1 to the Taxation of Pensions Act 2014, section 9(2) of the Finance Act 2022 (c. 3), paragraph 6 of Schedule 9 to FA 2024 and by S.I. 2015/80, 2015/1810, 2017/468 and 2019/201.

(a) the amount that was paid under the relevant pension scheme in connection with the benefit crystallisation event, after any relevant deductions, exceeds

(b) the amount that would have been paid under the relevant pension scheme in connection with the benefit crystallisation event, after any relevant deductions, if the rectification exercise had been retrospective;

"recipient" means—

(a) in respect of the tax years 2015-16 to 2022-23—

(i) the member, or

(ii) in the case of benefit crystallisation event 7, the recipient of the lump sum death benefit;

(b) in respect of the tax year 2023-24, the recipient of the lump sum or lump sum death benefit;

"relevant deductions" means deductions made—

(a) in accordance with PAYE regulations, or

(b) in connection with the lifetime allowance charge.

Redress for relevant lifetime allowance charge: other registered pension scheme

11.—(1) This regulation applies where a tax redress payment is made in respect of a recipient's liability to a relevant lifetime allowance charge where—

(a) one or more benefit crystallisation events occurred in respect of a member under a relevant pension scheme in a tax year in the period beginning with 2015-16 and ending with 2023-24 ("the original events"),

(b) there was a subsequent benefit crystallisation event in respect of that member under another registered pension scheme(**a**), and

(c) a relevant lifetime allowance charge was paid in respect of that subsequent benefit crystallisation event ("the subsequent charge").

(2) The qualifying amount is—

(a) the amount of the subsequent charge, less

(b) both—

(i) the amount that the subsequent charge would have been if the amount crystallised by the original events were calculated on the basis that the rectification exercise had been retrospective, and

(ii) any overpaid amount that the recipient has not repaid to the relevant pension scheme in respect of the original events.

(3) In this regulation, "overpaid amount" and "recipient" have the same meaning as in regulation 10.

Redress for income tax charge connected to lifetime allowance

12.—(1) This regulation applies where a tax redress payment is made in respect of a recipient's liability to an income tax charge under Part 9 of ITEPA 2003 where—

(a) one or more benefit crystallisation events occurred in respect of a member under a relevant pension scheme in a tax year in the period beginning with 2015-16 and ending with 2023-24 ("the original events"), and

(**a**) "Registered pension scheme" is defined in section 150(2) of the Finance Act 2004.

(b) a charge to income tax ("the new charge") subsequently arose in respect of that member in connection with a relevant benefit crystallisation event.

(2) The qualifying amount is—

(a) the amount of the new charge, less

(b) both—

(i) the amount that the new charge would have been if the amounts crystallised by the original events were calculated on the basis that the rectification exercise had been retrospective, and

(ii) any overpaid amount that the recipient has not repaid to the relevant pension scheme.

(3) In this regulation—

"overpaid amount" and "recipient" have the same meaning as in regulation 10;

"relevant benefit crystallisation event" has the same meaning as in section 637S of ITEPA 2003.

Redress for income tax charge on arrears of contributions

13.—(1) This regulation applies where a tax redress payment is made in respect of relief on an amount of contributions that an individual is required to pay to a relevant pension scheme as a result of a rectification exercise.

(2) The qualifying amount is—

(a) the amount of relief that the member would have been entitled to in respect of those contributions if the rectification exercise had been retrospective, less

(b) the amount of relief that the member received in respect of those contributions.

(3) If the amount of contributions that the individual is required to pay has been reduced to take account of an amount of relief that would have been available if those contributions had been paid in a different tax year—

(a) the amount of contributions, for the purposes of paragraph (2)(a), is the amount before that reduction, and

(b) the reduction is to be treated, for the purposes of paragraph (2)(b), as an amount of relief received by the member.

(4) In this regulation, "relief" means relief in accordance with section 188 of FA 2004 (relief for contributions).

Redress for income tax charge on pension arrears

14.—(1) This regulation applies where a tax redress payment is made in respect of a specified individual's liability to income tax in respect of an arrears payment.

(2) The qualifying amount is—

(a) the amount of income tax paid by the specified individual in respect of the arrears payment, less

(b) the amount of income tax that would have been payable, in respect of the amount of scheme pension or dependants' scheme pension to which the arrears payment relates, if the rectification exercise had been retrospective.

(3) In this regulation—

"arrears payment" means a payment that falls within regulation 4(1);

"specified individual" has the same meaning as in regulation 4(2).

Redress payment of interest

15.—(1) This regulation applies where a tax redress payment is made that represents interest in respect of an underlying amount.

(2) The qualifying amount is calculated by applying the prescribed rate to the underlying amount for the period—

(a) beginning with the later of—

(i) the day on which the member paid the income tax liability for which the underlying amount represents compensation, and

(ii) the day on which that income tax liability was due, and

(b) ending with the day on which the underlying amount is paid.

(3) In this regulation—

"the prescribed rate" means the rate applicable under section 178 of the Finance Act 1989(**a**) for the purposes of section 824 of the Income and Corporation Taxes Act 1988(**b**);

"underlying amount" means the qualifying amount of a tax redress payment.

PART 4

Lifetime allowance windfall charge

Lifetime allowance windfall charge

16.—(1) A charge to income tax, to be known as the lifetime allowance windfall charge, arises where—

(a) a member had a specified benefit crystallisation event in a tax year in the period beginning with 2020-21 and ending with 2022-23,

(b) a rectification exercise takes place in relation to the relevant pension scheme, and

(c) as a result of that rectification exercise, there is a further chargeable amount in respect of the specified benefit crystallisation event.

(2) The rate of the lifetime allowance windfall charge is 25% in respect of the further chargeable amount.

(3) The person liable to the lifetime allowance windfall charge is the scheme administrator of the relevant pension scheme in relation to which the rectification exercise took place.

(4) The scheme administrator is liable to the lifetime allowance windfall charge whether or not—

(a) the scheme administrator, and

(b) the member,

are resident or domiciled in the United Kingdom.

(5) The further chargeable amount is not to be treated as income for any purpose of the Income Tax Acts.

(6) In this regulation—

(**a**) 1989 c. 26.
(**b**) 1988 c. 1. The rate is set in regulation 3AB of S.I. 1989/1297.

"chargeable amount" has the meaning given in section 215(3) of FA 2004(**a**), as that section had effect immediately before 6 April 2024;

"further chargeable amount" means—

(a) a chargeable amount that would have arisen, or

(b) the amount by which a chargeable amount would have increased,

if a rectification exercise had been retrospective;

"specified benefit crystallisation event" means a benefit crystallisation event, other than benefit crystallisation event 7, which occurred—

(a) under a relevant pension scheme, or

(b) under a registered pension scheme, if it occurred after a benefit crystallisation event had already occurred in relation to the member under a relevant pension scheme.

Lifetime allowance windfall charge: administration

17.—(1) Section 254 of FA 2004 (accounting for tax by scheme administrators)(**b**) and section 9 of the Taxes Management Act 1970 (returns to include self-assessment)(**c**) have effect as if the lifetime allowance windfall charge was an amount of income tax to which the scheme administrator was liable under Part 4 of FA 2004.

(2) A lifetime allowance windfall charge that arose before the coming into force of these Regulations is to be treated, for the purposes of section 254 of FA 2004, as if it had arisen immediately after their coming into force.

(3) The Registered Pension Schemes (Accounting and Assessment) Regulations 2005(**d**) have effect as if, in regulation 3 (the particulars required to be included in returns under section 254), in Table 1 at the end there were inserted—

"Charge under regulation 16 of the MPs', Senedd and Assembly Pension Schemes (Tax) Regulations 2025 (lifetime allowance windfall charge).	**1.** The number of individuals in respect of whom a lifetime allowance windfall charge has arisen. **2.** The name and national insurance number of each individual in respect of whom a lifetime allowance windfall charge has arisen. **3.** The date on which each further chargeable amount arose. **4.** The amount of tax due in respect of each further chargeable amount.".

(**a**) Section 215 was amended by paragraph 41 of Schedule 10 to the Finance Act 2005, paragraph 15 of Schedule 29 to the Finance Act 2008 and paragraph 14 of Schedule 2 to the Finance Act 2009, before its repeal by paragraph 3 of Schedule 9 to FA 2024 with effect for the tax year 2024-25 and subsequent tax years.

(**b**) Section 254 was amended by paragraph 18 of Schedule 17 to the Finance Act 2011, paragraph 15 of Schedule 4 to the Finance Act 2017 and section 9 of the Finance Act 2022.

(**c**) 1970 c. 9. Section 9 was substituted by section 179 of the Finance Act 1994 (c. 9) and amended by sections 121 and 122 of the Finance Act 1996 (c. 8), section 98 of the Finance Act 1998 (c. 36), paragraphs 1 and 2 of Schedule 29 to the Finance Act 2001 (c. 9), paragraph 125 of Schedule 6 to the Income Tax (Earnings and Pensions) Act 2003, paragraph 1 of Schedule 35 to the Finance Act 2004, paragraph 361 of Schedule 1 to the Income Tax (Trading and Other Income) Act 2005 (c. 5), section 91 of the Finance Act 2007 (c. 11), paragraph 51 of Schedule 1 to the Finance Act 2016 and paragraph 19 of Schedule 4 to the Finance Act 2017.

(**d**) S.I. 2005/3454; relevant amendments were made by paragraph 21 of Schedule 4 to the Finance Act 2017 and by S.I. 2011/302, 2011/1751, 2013/1111 and 2024/356.

PART 5

Changes in the value of rights under a relevant pension scheme

Calculation of pension input amounts: MPs' pension scheme

18. For the purposes of section 234 of FA 2004 (defined benefits arrangements)(**a**), the opening value of a member's rights under an arrangement under an MPs' pension scheme(**b**) for the rectification period is to be calculated on the basis of the member's rights under the rectification exercise.

Calculation of pension input amounts: pensioner members of a relevant pension scheme and members of an MPs' pension scheme

19.—(1) Where a rectification exercise increases the value of a specified member's rights under a relevant pension scheme, the additional pension input amount is to be included in the calculation of that member's total pension input amount under section 229(1) of FA 2004 (total pension input amount)(**c**) for the tax year in which the rectification period ends.

(2) The "additional pension input amount" is—

$$(NV - OV) \times 16$$

where—

"NV" is—

(a) where the specified member is a pensioner member(**d**) of a relevant pension scheme, the annual rate of scheme pension that would, disregarding any commutation of pension, have been payable under the scheme when the member first became entitled to payment of it, if the rectification exercise had been retrospective,

(b) where the specified member is an active or deferred member of an MPs' pension scheme, the annual rate of the pension which would, on the valuation assumptions(**e**), be payable to the individual under the scheme if the individual became entitled to payment of it at the end of the pension input period, or

(c) where the specified member is a hybrid member, the result of adding together the amounts in paragraphs (a) and (b) that would arise in relation to the member, and

"OV" is what NV would have been, in relation to the member, if the rectification exercise had not taken place.

(3) For the purposes of paragraph (1) a rectification exercise increases the value of a specified member's rights under a relevant pension scheme if—

(a) where the specified member is a pensioner member of a relevant pension scheme, the annual rate of scheme pension payable under the scheme increases as a result of a rectification exercise,

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(**a**) Section 234 was amended by paragraph 10 of Schedule 17 to the Finance Act 2011 and S.I. 2015/80.
(**b**) "An MPs' pension scheme" is defined in section 15(9) of FA 2024.
(**c**) Section 229 was amended by paragraph 6 of Schedule 17 to the Finance Act 2011 and paragraph 8 of Schedule 4 to the Finance (No. 2) Act 2015.
(**d**) "Pensioner member", "active member" and "deferred member" are defined in section 151 of the Finance Act 2004.
(**e**) See section 277 of the Finance Act 2004.

(b) where the specified member is an active or deferred member of an MPs' pension scheme, there would be an increase in the value of the individual's rights in accordance with section 234 of FA 2004, if that section was applied to the scheme as a whole, rather than to each arrangement separately, or

(c) where the specified member is a hybrid member, if either of sub-paragraphs (a) or (b) is met in relation to the member.

(4) In this regulation—

"hybrid member" means an active member of an MPs' pension scheme who has previously been a pensioner member of the scheme, and references in this regulation to an active member of such a scheme do not include a hybrid member;

"specified member" means—

(a) a pensioner member of a relevant pension scheme, or

(b) an active, deferred or hybrid member of an MPs' pension scheme.

Carry forward of annual allowance

20.—(1) This regulation applies where—

(a) as a result of a rectification exercise, a member's total pension input amount increases, and

(b) all or part of that increase ("the excess amount") would not have occurred if the rectification exercise had been retrospective.

(2) The excess amount is to be disregarded for the purpose of determining, in accordance with section 228A of FA 2004 (carry forward of unused allowance)(**a**), whether that member has unused annual allowance available for any of the three tax years following the tax year in which the rectification exercise was conducted.

Restriction of carry forward of annual allowance to active members

21. Section 228A of FA 2004 has effect, in relation to a member for the tax year in which the rectification period ends, as if in subsection (4)(a) for "a member" there were substituted "an active member".

Adjustment of benefits where charge paid by scheme administrator

22.—(1) This regulation applies where—

(a) a member's benefits under a relevant pension scheme were subject to a relevant adjustment,

(b) either—

(i) a rectification exercise takes place which, if it had been retrospective, would have meant that the relevant adjustment was excessive, or

(ii) the relevant adjustment was made in connection with a rectification exercise and, if that exercise had been retrospective, the adjustment would have been excessive, and

(c) the member's benefits under the scheme are increased by an amount which removes the excessive amount of the relevant adjustment.

(**a**) Section 228A was inserted by paragraphs 1 and 5 of Schedule 17 to the Finance Act 2011 and amended by paragraph 67 of Schedule 1 to the Taxation of Pensions Act 2014.

(2) The increase in paragraph (1)(c) is to be disregarded in the calculation, for a pension input period, of the closing value of the member's rights under an arrangement under the scheme.

(3) In this regulation, "relevant adjustment" means the reduction of a member's benefits by a scheme administrator as a result of the satisfaction of a liability in respect of that member to—

(a) an annual allowance charge, whether in accordance with a notice under section 237B(3) of FA 2004 or by agreement with the member, or

(b) a lifetime allowance charge.

Reduction in rate of scheme pension

23.—(1) This regulation applies where—

(a) a member has become entitled to a scheme pension under a relevant pension scheme, and

(b) as a result of a rectification exercise, the rate of the scheme pension payable to that member reduces.

(2) The reduction in the rate of the scheme pension does not prevent it from meeting the condition in paragraph 2(3)(b) of Schedule 28 to FA 2004 (requirement that rate of scheme pension does not reduce)(**a**).

PART 6

Miscellaneous

Provision of information by schemes

24.—(1) Regulation 14A of the Registered Pension Schemes (Provision of Information) Regulations 2006 (annual allowance: annual provision of information by scheme administrator to member)(**b**) has effect, in relation to a member for the tax year in which a rectification period ends, as if—

(a) in paragraph (1)(a), the words "who meets one of the conditions in paragraph (8)" were omitted;

(b) the additional pension input amount was a pension input amount in respect of an arrangement under the relevant pension scheme.

(2) In this regulation, "the additional pension input amount" has the same meaning as it does in regulation 19.

Nicholas Dakin
Jeff Smith

21st January 2025 Two of the Lords Commissioners of His Majesty's Treasury

(**a**) Paragraph 2 of Schedule 28 was amended by paragraph 11 of Schedule 10 to the Finance Act 2005, paragraph 20 of Schedule 23 to the Finance Act 2006, paragraph 7(2) of Schedule 20 to the Finance Act 2007, section 20 of the Finance Act 2016, paragraph 20(2) of Schedule 5 to the Finance Act 2021 and by S.I. 2007/493.

(**b**) S.I. 2006/567; relevant amending instruments are S.I. 2011/1797, 2016/308, 2017/11, 2018/5, 2022/392 and paragraph 88 of Schedule 1 to the Taxation of Pensions Act 2014.

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations make provision for the tax treatment of changes to the benefits payable to members of Parliament, the Senedd and the Northern Ireland Assembly under their respective pension schemes. These changes are the result of rectification exercises, under which members' benefits change between final salary and career average methods of calculation.

Part 1 deals with introductory matters. Regulation 1(3) provides for the regulations to have retrospective effect for the tax year 2024-25. This retrospection is authorised by section 15(8) of the Finance Act 2024.

Part 2 deals with rectification payments, which are payments of pension benefits and refunds of pension contributions resulting from a rectification exercise conducted in respect of an MPs', Senedd or Northern Ireland Assembly pension scheme ("a relevant pension scheme").

Regulation 3 provides for refunds of pension contributions, resulting from a rectification exercise, to be authorised payments that are not subject to income tax.

Regulation 4 provides that, where a rectification exercise has increased the amount of pension payable to scheme members or their dependants, the amount that would have been paid if the rectification exercise was retrospective is an authorised payment that is subject to the same income tax rules as ordinary pension payments.

Regulation 5 provides that a further lump sum death benefit, which is payable in respect of a scheme member as a result of a rectification exercise, will receive the same tax treatment as the original payment.

Regulation 6 provides that where a lump sum is paid after the death of a member, and it would have been a pension commencement lump sum if the member was still alive, it will be treated as a pension commencement lump sum to which the member had become entitled.

Part 3 deals with tax redress payments, which are payments made to compensate for income tax charges that an individual would not have had to pay if a rectification exercise had been retrospective.

Regulation 7 provides that the qualifying amount of a tax redress payment is not subject to income tax and, where paid from a registered pension scheme, is an authorised payment. These payments can relate to:

- Annual allowance charges that were paid by the member in respect of a tax year in the period 2015-16 to 2023-24, where a rectification exercise means that the member would not have been subject to those charges (regulation 8),
- An annual allowance charge paid by the member in respect of the tax year in which a rectification exercise takes place, where that charge is greater than the annual allowance charges that would have arisen if the rectification exercise had been retrospective (regulation 9),
- A lifetime allowance charge paid by the member, or a charge arising by virtue of section 19 of the Finance (No. 2) Act 2023, under a relevant pension scheme (regulation 10),
- A lifetime allowance charge, or a charge arising by virtue of section 19 of the Finance (No. 2) Act 2023, under another pension scheme (regulation 11),
- An income tax charge that is connected to the lifetime allowance (regulation 12),
- Tax relief in respect of pension contributions that an individual is required to pay as a result of a rectification exercise (regulation 13),

- An income tax charge on a payment that falls within regulation 4 (regulation 14), and
- Interest in connection with one of the above payments (regulation 15).

Part 4 deals with the lifetime allowance windfall charge.

Regulation 16 provides for this new income tax charge, which arises where a member of a relevant pension scheme had a benefit crystallisation event in one of the tax years 2020-21 to 2022-23 (inclusive) and, if the rectification exercise had been retrospective, the chargeable amount (which is the basis on which the lifetime allowance charge was calculated) would have arisen or increased in respect of that event. The charge is 25% of that new or increased chargeable amount.

Regulation 17 provides for the way in which the lifetime allowance windfall charge is to be reported to HMRC.

Part 5 deals with changes in the value of rights under a relevant pension scheme.

Regulation 18 provides for members' benefits under an MPs' scheme to be valued, for the purpose of the annual allowance charge in the tax year in which the rectification exercise takes place, on the basis of their rights under that exercise.

Regulation 19 provides for an additional pension input amount to be recognised, for the purpose of the annual allowance charge, where a rectification exercise increases the value of a pensioner member's rights under a relevant pension scheme or any member's rights under an MPs' scheme. This amount is 16 times the difference in value between the member's rights before and after that exercise.

Regulation 20 provides for an increase in a member's total pension input amount that resulted from a rectification exercise, but would not have done so if that exercise had been retrospective, to be disregarded for the purpose of determining whether that member's unused annual allowance can be carried forward to a future tax year.

Regulation 21 restricts the ability to carry forward annual allowance to the tax year in which a rectification exercise takes place to active members of a pension scheme.

Regulation 22 provides that, where a scheme administrator has adjusted a member's benefits because they paid a tax charge in respect of a member, and that tax charge would not have arisen if the rectification exercise had been retrospective, the member's benefits can be corrected without triggering an annual allowance tax charge.

Regulation 23 permits a scheme member's pension to be reduced, where that is a result of a rectification exercise, without ceasing to be an authorised payment.

Part 6 deals with miscellaneous matters.

Regulation 24 requires pension savings statements to be sent to members of relevant pension schemes, where they are affected by a rectification exercise.

A Tax Information and Impact Note covering this instrument was published on 22nd November 2023 alongside the Autumn Statement and is available on the website at https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins. It remains an accurate summary of the impacts that apply to this instrument.

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