



Glossary

Barnett Waddingham SIPP For NFU Mutual Clients

July 2023



It's about time®

Note: Where we refer to 'us', 'our' or 'we', we mean BW SIPP LLP acting as the **operator**. This document is based on our interpretation of current legislation and **HM Revenue & Customs (HMRC)** practice, which may change in the future.

#

6 April 2006 ("A-Day")

The date that the current pensions tax simplification regime came into force.

A

Additional voluntary contributions

Contributions paid by an individual to his/her employer's **occupational pension scheme** over and above the basic or contractual contributions which are required as a condition of membership.

Adjusted income

An annual monetary amount that determines whether an individual will be subject to a tapering of their **AA** for a particular tax year. Broadly, the amount is calculated by adding the individual's total income from all sources to their pension contributions during a tax year. (See also **threshold income**.)

Anniversary date

Unless you or we notify otherwise, the first day of the month after your **Barnett Waddingham SIPP** is established.

Annual allowance (AA) (see also money purchase annual allowance)

The maximum amount that you can pay to all your **registered pension schemes** in a **pension input period (PIP)** and gain **tax relief**. If the **AA** is exceeded, you may have to pay **HMRC** a tax charge on the excess (the **AA charge**). The **AA** is £60,000 for the tax year 2023/24 and from then on until the Government notifies otherwise. However, if you trigger the **money purchase AA**, the amount you can contribute to **money purchase pension schemes** each tax year is restricted to £10,000 (gross) for the tax year 2023/24 and from then on until the Government notifies otherwise. You can contribute the remaining portion of the **AA** to **defined benefit schemes**.

The **AA** will be reduced for individuals with **adjusted income** of more than £260,000 for the tax year 2023/24 and from then on until the Government notifies otherwise. The **AA** will be reduced by £1 for every £2 of **adjusted income** that an individual has over £260,000, with a maximum reduction of £50,000. The value of pension contributions is taken into account when assessing whether an individual's **adjusted income** exceeds £260,000, which means that an individual with **threshold income** of less than £260,000 (but subject to a minimum of £200,001) could be caught. Individuals with **threshold income** of £200,000 or less will not have their **AA** tapered.

Annual allowance charge (AA charge)

If the overall **AA** or the **money purchase AA** is exceeded, you may have to pay **HMRC** a tax charge on the excess. This is calculated by the chargeable amount being added to your taxable income for the relevant tax year, and tax then being charged at your marginal rate.

Annuity

An **annuity** contract purchased from an **annuity** provider of your choice that provides you with an income for life in exchange for all or part of your **Barnett Waddingham SIPP** funds and/or funds from other **registered pension schemes**. (See also **short-term annuity**.)

Arm's length

The condition or fact that the parties to a transaction are independent and on an equal footing, or act as they would if they were independent buyers and sellers with no shared interest. The concept of an **arm's length** transaction is to ensure that both parties in the deal are acting in their own self interest and are not subject to any pressure or duress from the other party.

B

Barnett Waddingham SIPP

Your **Barnett Waddingham SIPP** is a self invested personal pension product which is issued under the **scheme**.

Beneficiary/Beneficiaries

As the **member**, you are the **beneficiary** of your **Barnett Waddingham SIPP** until your death. After your death, the **beneficiaries** are the persons or entities who will receive benefits from your **Barnett Waddingham SIPP** and/or other **registered pension schemes**. **Beneficiaries** can include your **dependants** and persons or entities other than your **dependants** (including **nominees** and other **beneficiaries**) whom you nominate to receive benefits from your **Barnett Waddingham SIPP** on your prior death.

Business day

Any day other than a Saturday, a Sunday, or a day which is a public holiday in England.

Buy-out policy (sometimes called a 'section 32 policy')

An individual earmarked insurance policy purchased with a transfer from a **registered pension scheme**, which is used to secure a deferred **annuity** contract.

C

Capital adequacy requirements

The **Financial Conduct Authority's (FCA's)** requirements for the amount of realisable capital that a **self-invested personal pension scheme (SIPP) operator** must hold. The new requirements came into force with effect from 1 September 2016, which increased the required fixed minimum amount from £5,000 to £20,000.

Capped drawdown fund

An arrangement established before 6 April 2015 to pay income from a **SIPP**, which is subject to the **maximum income limit**.

Capped drawdown pension

Pension income paid from a **capped drawdown fund**.

Career average revalued earnings scheme (CARE scheme)

A type of **defined benefit scheme** offered by employers. Benefits at retirement are based on average earnings over the employee's whole period of membership.

Carry forward

HMRC allows individuals to apply any unused **AA** from the previous three tax years by carrying it forward for use in the current tax year, provided he/she was a **member** of a **registered pension scheme** during those tax years. **Carry forward** is not available for **money purchase pension schemes** if you trigger the **money purchase AA**.

Client accounts

Common bank accounts in our name with **our chosen bank**, which are used collectively for all **scheme members**. There are different **client accounts** for different types of payment, such as making contributions and transfer payments in, buying and selling investments, making **drawdown pension** payments to **members**, collecting rental income and making payments to **HMRC**.

Client money account

A common bank account in our name with **our chosen bank**, which is used collectively for all **scheme members** and in which cash is held as client money in accordance with **FCA** requirements.

Connected party/ies

Connected parties are certain relatives, trustees, partners and companies.

A person is connected to an individual if that person is the individual's spouse or civil partner, a relative of the individual, the spouse or civil partner of a relative of the individual, a relative of the individual's spouse or civil partner, or the spouse or civil partner of a relative of the individual's spouse or civil partner.

Relative is defined as brother, sister, ancestor or lineal descendant. Relative does not cover all relationships, in particular nephews, nieces, uncles and aunts.

A company is connected with another person if that person has control of the company or that person and persons connected with him/her together have control of the company. In this context, control means a person (and those connected with that person) being able to directly or indirectly control the affairs of a company. In practice, this is usually likely to mean the individual or persons connected with that individual holding more than 50% of the voting rights of a company, although the definition of control is wide-ranging and can extend beyond this.

A person is connected to any person he/she is in partnership with, and the spouse or civil partner of any person he/she is in partnership with, and a relative of any person he/she is in partnership with.

Where a transaction takes place between your **Barnett Waddingham SIPP** and a **connected party**, it must be made on **arm's length** terms.

Crystallisation/crystallised

The act or process of accessing funds in your **Barnett Waddingham SIPP**, the transfer of part or all of your **Barnett Waddingham SIPP** funds to a **qualifying recognised overseas pension scheme (QROPS)**, or on your death, at which point a test is made against the **lifetime allowance (LTA)**.



Data

'Personal Data' and 'Sensitive Personal Data' as defined in the **Data Protection Act (DPA)** and 'Personal data' and 'Special categories of data' as defined in the General Data Protection Regulation (GDPR).

Data Protection Act (DPA)

The **Data Protection Act** 2018 and any relevant regulations, as may be amended from time to time.

Defined benefit scheme

An **occupational pension scheme** established by an employer for its employees that provides benefits based on a proportion of pensionable salary for each year of pensionable service. Pensionable salary can be salary at retirement (known as 'final salary'), or the employee's average earnings over the whole period of membership of the scheme (a **CARE scheme**), or some other formula.

Department for Work and Pensions (DWP)

The Government department responsible for welfare and pension policy.

Dependant

Under pension legislation, **dependant** essentially means the following:

- a. your spouse or registered civil partner;
- b. any child of yours who is under 23, or who in our opinion is dependent on you, because of physical or mental impairment; or
- c. any other individual who in our opinion was financially dependent on you, or who had a relationship of mutual dependence with you, or who was dependent on you because of physical or mental impairment.

Dependant's flexi-access drawdown fund

A **flexi-access drawdown fund** established on the death of a **member** to enable the payment of pension income to a **dependant** nominated by the **member** (or, where applicable, by the **operator**) before his/her death.

Deposit account

A bank account that is used to hold cash on deposit as an investment of your **Barnett Waddingham SIPP**.

Drawdown pension

The **crystallisation** of funds in your **Barnett Waddingham SIPP** enabling the payment of income directly from your **Barnett Waddingham SIPP**. **Drawdown pension** can be either **capped drawdown pension** or **flexi-access drawdown pension**, as applicable.



Enhanced protection

A means of protecting pension rights built up before **6 April 2006** from the **LTA charge** when benefits are taken on or after 6 April 2006. It is no longer possible to register for **enhanced protection**. The Government have confirmed that making a contribution to your SIPP from 6 April 2023 will no longer invalidate **enhanced protection** (unless you obtained **enhanced protection** on or after 15 March 2023). We recommend you speak with a financial adviser before making any decision to pay a contribution if this protection applies to you.

Execution-only

A **member** who does not have a financial adviser, and who makes all decisions relating to his/her **Barnett Waddingham SIPP** himself/herself, does so on an **execution-only** basis.

Expression of wishes

A notification by you to us as the **operator** of who you would like any remaining assets in your **Barnett Waddingham SIPP** to be paid to, on your death.



Financial Conduct Authority (FCA)

The **Financial Conduct Authority** (formerly the Financial Services Authority, or FSA), or any replacement regulatory authority or authorities, is an independent, non-Governmental funded body given statutory powers by the Financial Services and Markets Act 2000, (as amended by the Financial Services Act 2012), to regulate financial services business in the UK. The **operator** is authorised and regulated by the **FCA**, and its **FCA** registration number is 458323.

The **FCA** contact details are:

 Financial Conduct Authority
12 Endeavour Square
London
E20 1JN

 www.fca.org.uk
 consumer.queries@fca.org.uk
 0800 111 6768

Financial Ombudsman Service (FOS)

An independent, levy funded body that considers complaints about advice between consumers and financial firms, which cannot be resolved by the firms in the first instance. The **FOS** contact details are:

 The Financial Ombudsman Service
Exchange Tower
London
E14 9SR

 www.financial-ombudsman.org.uk/contact
 complaint.info@financial-ombudsman.org.uk
 0800 023 4567 or 0300 123 9123

Financial Services Compensation Scheme (FSCS)

The UK's statutory compensation scheme for customers of authorised financial services firms. The **FSCS** may pay compensation if an authorised firm is unable to meet its obligations. The **FSCS** contact details are:

 Financial Services Compensation Scheme
10th Floor, Beaufort House
15 St Botolph Street
London
EC3A 7QU

 www.fscs.org.uk
 enquiries@fscs.org.uk
 0800 678 1100 or 020 7741 4100

Fixed protection

Individuals with **fixed protection** have a **LTA** underpinned at £1.8 million. It is no longer possible to register for **fixed protection**. The Government have confirmed that making a contribution to your SIPP from 6 April 2023 will no longer invalidate **fixed protection** (unless you obtained **fixed protection** on or after 15 March 2023). We recommend you speak with a financial adviser before making any decision to pay a contribution if this protection applies to you.

Fixed protection 2014

Individuals with **fixed protection 2014** have a **LTA** underpinned at £1.5 million. It is no longer possible to register for **fixed protection 2014**. The Government have confirmed that making a contribution to your SIPP from 6 April 2023 will no longer invalidate **fixed protection** (unless you obtained **fixed protection** on or after 15 March 2023). We recommend you speak with a financial adviser before making any decision to pay a contribution if this protection applies to you. Individuals with **primary protection, enhanced protection** or **fixed protection** are ineligible to apply for **fixed protection 2014**.

Fixed protection 2016

Individuals with **fixed protection 2016** have a **LTA** underpinned at £1.25 million. The Government have confirmed that making a contribution to your SIPP from 6 April 2023 will no longer invalidate **fixed protection** (unless you obtained **fixed protection** on or after 15 March 2023). We recommend you speak with a financial adviser before making any decision to pay a contribution if this protection applies to you. Individuals with **primary protection, enhanced protection, fixed protection**, or **fixed protection 2014** are ineligible to apply for **fixed protection 2016**.

To obtain further information about restrictions or to register online for **fixed protection 2016**, please visit www.gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance#fixed-protection-2016.

Flexi-access drawdown fund

An arrangement established under your **Barnett Waddingham SIPP** to enable the payment of pension income directly from your **Barnett Waddingham SIPP**, and which contains funds that are:

- designated for flexi-access **drawdown pension** for the first time on or after 6 April 2015;
- converted from a **capped drawdown fund**, including funds transferred to your **Barnett Waddingham SIPP** which are converted on transfer;
- derived from a pre-6 April 2015 **flexible drawdown fund**; and/or
- transferred from a **flexi-access drawdown fund** established under another **registered pension scheme**.

Flexi-access drawdown pension

Pension income paid from a **flexi-access drawdown fund**.

Flexible benefits/flexibly accessing benefits

Benefits which can be taken under the new pensions regime for **money purchase pension schemes**, which was introduced with effect from 6 April 2015. This gives individuals greater choice and flexibility about how they access their money purchase pension savings. In particular, individuals can choose to take a **flexi-access drawdown pension**, an **uncrystallised funds pension lump sum (UFPLS)**, or to convert a **capped drawdown fund** to a **flexi-access drawdown fund** and then take pension income from the converted fund.

An individual who takes benefits in any of these ways is **flexibly accessing benefits** under the new regime. Additionally, anyone who had a **flexible drawdown fund**, which automatically converted to a **flexi-access drawdown fund** on 6 April 2015, is also **flexibly accessing benefits** under the new regime.

Flexible drawdown fund/flexible drawdown

An arrangement established before 6 April 2015 to pay income from a **SIPP** that had no limits on how much income could be taken, but which was only available if certain conditions were met. If a valid declaration was accepted before 6 April 2015 that these conditions were met, the **flexible drawdown fund** converted automatically to a **flexi-access drawdown fund** on 6 April 2015.



General Data Protection Regulation

The **General Data Protection Regulation (GDPR)** was implemented in the UK from 25 May 2018 via the **Data Protection Act 2018**, which replaced the **Data Protection Act 1998**. The GDPR is a regulation in European Union (EU) law on data protection and privacy for all individuals within the EU and the European Economic Area (EEA). It also addresses the export of personal data outside the EU and EEA areas.

Government Actuary's Department (GAD)

The Government department that provides actuarial services and analysis to the Government and public sector, and produces tables for calculating the **maximum income limit**.

Guaranteed annuity rate (GAR)

A feature usually associated with old-style retirement **annuity** plans. A **GAR** was written into the plan terms from the outset and guaranteed to provide a minimum **annuity** rate, but only on or after a set retirement date.

H

HM Revenue & Customs (HMRC)

The Government department that deals with the taxation of pension contributions and benefits.

I

Ill-health

To qualify for an **ill-health** pension, we must have received evidence from a registered medical practitioner confirming that you are, and will continue to be, incapable of continuing your current occupation, and that you have ceased to carry out that occupation.

In specie

The transfer of the legal ownership of an asset other than cash, (for example, property or shares), without the undertaking of sell or buy transactions.

Individual protection 2014

Individuals could apply for **individual protection 2014** if their total pension savings on 5 April 2014 were more than £1.25 million, provided that they did not have existing **primary protection**. Their **LTA** will be equal to the value of their total pension savings on 5 April 2014, subject to a maximum of £1.5 million. It is no longer possible to register for **individual protection 2014**.

Individual protection 2016

Individuals can apply for **individual protection 2016** if their total pension savings on 5 April 2016 were more than £1 million, provided that they do not have existing **primary protection** or **individual protection 2014**. Their **LTA** will be equal to the value of their total pension savings on 5 April 2016, subject to a maximum of £1.25 million.

It is still possible to register online for **individual protection 2016** at www.gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance#individual-protection-2016.

Investment account

An account that is opened for the purpose of buying and selling investments within your **Barnett Waddingham SIPP**, and which is held as an asset of your **Barnett Waddingham SIPP**.

Investment committee

An internal Barnett Waddingham committee to whom we have delegated authority to decide whether to accept, decline or add any reasonable conditions to any investment requested by you.



Joint property purchase

Your **Barnett Waddingham SIPP** can jointly purchase a property with another individual's **Barnett Waddingham SIPP**, other individuals or companies, you personally, or another third party. This is not the same as a **syndicated property**.



Legislation and regulation

The rules and regulations of the **FCA**, and any statutes, statutory instruments and other legislation that apply to us and to the **scheme**. Where **legislation and regulation** are amended, references to **legislation and regulation** are to be construed as incorporating those amendments.

Lifetime allowance (LTA)

The maximum amount of pension savings that you can build up, which benefits from tax relief.

The **Lifetime Allowance** is £1,073,100 for the 2023/24 tax year.

The Government have confirmed their intention to abolish the **lifetime allowance** entirely from 6 April 2024.

Lifetime allowance charge (LTA charge)

The Government have confirmed that there will be no **lifetime allowance** excess tax charge applied for benefits taken above the **lifetime allowance** in the 2023/24 tax year. For funds in excess of the **lifetime allowance** taken as either income or a lump sum, the excess will be taxed as income at the recipient's marginal rate.



Maximum income limit

The maximum annual amount of income that you can take from a **capped drawdown fund** (currently 150% of the basic income derived from **GAD** tables for the relevant drawdown year). This is recalculated every three years up to age 75 and annually thereafter, in line with **GAD** rates (although annual reviews can be requested before age 75). The **GAD** rate used for those aged 85 and over is the **GAD** rate for an 85 year old.

Member

Any person who has completed an application for membership of the **scheme**, and has been admitted as a **member** of it by the **operator**.

Minimum pension age

The earliest age (currently 55) when you can take pension benefits, except on grounds of *ill-health*, *serious ill-health*, or if you have a right to a protected early retirement pension age.

MoneyHelper

MoneyHelper is the new consumer brand from the **Money and Pensions Service**, bringing together the services previously provided by The Pensions Advisory Service and the Money Advice Service. They also provide the **Pension Wise** service.

MoneyHelper offers a single place for people to go to be clear on their money and pension choices.

 moneyhelper.org.uk

Money and Pensions Service

The **Money and Pensions Service (MAPS)** is a body sponsored by the Department for Work and Pensions to ensure people have access to information and guidance to make effective financial decisions.

MAPS provides the **MoneyHelper** and **Pension Wise** services.

The **Money and Pensions Service** contact details are;

 Money and Pensions Service
Holborn Centre
120 Holborn
London
EC1N 2TD

 moneyandpensionsservice.org.uk
 contact@maps.org.uk
 01159 659570

Money purchase annual allowance (money purchase AA)

If you flexibly access your money purchase pension benefits for the first time on or after 6 April 2015, you will trigger the **money purchase AA**. The **money purchase AA** is £10,000 (gross) for the tax year 2023/24 and from then on, until the Government notifies otherwise, for all contributions paid into **money purchase pension schemes**. You will, therefore, only be entitled to obtain **tax relief** on further contributions to your **Barnett Waddingham SIPP** and/or other **money purchase pension schemes** of up to £10,000 (gross) for any tax year.

Money purchase pension scheme

Under a **money purchase pension scheme**, an individual pays money into a retirement fund, which is invested, for example, in the stock market. The value of the pension is not guaranteed, as it is directly linked to the performance of the underlying investments.

A **money purchase pension scheme** can be one of several types of pension scheme including a **SIPP**, a **personal pension scheme**, an **occupational pension scheme** and a **small self-administered scheme (SSAS)**. It is also known as a 'defined contribution scheme'.



NFU Mutual

The National Farmers Union Mutual Insurance Society Limited (Company Number 00111982), a mutual company providing insurance, pension and investment products, and registered in England. **NFU Mutual's** registered office is:

 Tiddington Road
Stratford Upon Avon
Warwickshire
CV37 7BJ

 www.nfumutual.co.uk

NFU Mutual financial adviser

Financial advice is provided by **NFU Mutual Select Investments Limited**. **NFU Mutual financial advisers** advise on **NFU Mutual** products and selected products from specialist providers.

NFU Mutual Select Investments Limited

NFU Mutual Select Investments Limited (Company Number 08049488) is a **member** of the **NFU Mutual** group of companies and is registered in England. **NFU Mutual Select Investments Limited's** registered office is:

 Tiddington Road
Stratford Upon Avon
Warwickshire
CV37 7BJ

NFU Mutual Trustee Investment Plan (TIP)

The Trustee Investment Plan issued by **NFU Mutual** upon its standard policy terms and conditions, as at the date when your investment in the Trustee Investment Plan is made. Full details about the funds can be found in the Fund Guide included with the Key Features document for the **NFU Mutual Trustee Investment Plan**.

You must invest at least £25,000 of your initial minimum investment of £50,000 (gross) in the **TIP** on commencement of your **Barnett Waddingham SIPP**.

Nominee

A person who is not a **dependant**, and who is nominated by a **member** (or, where applicable, the **operator**), to receive benefits from the **member's Barnett Waddingham SIPP** on the **member's** death. The **operator** can only consider a **member's nominees** or **dependants** to receive pension income, and can only nominate a **nominee** in the absence of any known **dependants** of the **member**, or **nominees** and charities that were nominated by the **member**.

Nominee's flexi-access drawdown fund

A **flexi-access drawdown fund** established on the death of a **member** to enable the payment of pension income to a **nominee** nominated by the **member** before his/her death (or, where applicable, by the **operator**).

Non-standard investments

Investments that are neither regulated nor quoted in the UK including, but not limited to, Unregulated Collective Investment Schemes (UCIS), unquoted shares and commodities. They are sometimes referred to as 'alternative investments' or 'esoteric investments'.



Occupational pension scheme

A pension scheme established by an employer to provide **retirement benefits** for its employees.

Open market option (OMO)

Your right to purchase an **annuity** from any **annuity** provider offering you the best choice.

Operator

BW SIPP LLP (company number OC322417). The operator is the administrator of the scheme, and is responsible for carrying out all the duties and functions required by the **FCA**, **HMRC**, and **legislation and regulation** relating to the day-to-day running of the **scheme**.

Our chosen bank

Bank of Scotland, or such other bank or banks that we may select from time to time.



Pension commencement lump sum (PCLS)

A lump sum benefit of up to 25% of the value of your **Barnett Waddingham SIPP**, which is currently tax-free and often referred to as 'tax-free cash'. A **PCLS** is only available when entitlement to a **drawdown pension** or the purchase of an **annuity**, in connection with which the **PCLS** is being paid, arises.

The amount of the **PCLS** is tested against your **LTA**. The percentage that you can take may be lower than 25% if there is insufficient **LTA**, and may be different to 25% if you are entitled to a protected lump sum amount.

Pension input period (PIP)

The period over which the amount of pension saving is measured, and which is used to calculate whether the **AA** (including the **money purchase AA**) is exceeded. With effect from 9 July 2015, the **PIP** must be aligned with the tax year, and individuals can no longer choose an alternative **PIP**.

Pension review date

The date that the funds in your **Barnett Waddingham SIPP** are valued for the purpose of calculating the **maximum income limit**. This is done every three years up to age 75, and annually thereafter, in line with **GAD** rates (although annual reviews can be requested before age 75).

Pension sharing

The provision of a percentage share of a pension scheme **member's** pension benefits to an ex-spouse or civil partner, on divorce or dissolution of a civil partnership.

Pension Wise

Pension Wise is a free and impartial service from **MoneyHelper**, a government backed organisation. They offer guidance face-to-face, over the phone, and online. You can access the service and book an appointment at moneyhelper.org.uk/pensionwise or by calling 0800 280 8880.

Pensions Ombudsman

An independent organisation who resolves disputes and determines complaints by pension scheme **members** and **beneficiaries** against scheme trustees, managers, administrators and employers about the way a pension scheme is run.

The **Pensions Ombudsman's** contact details are:

 The Pensions Ombudsman
10 South Colonnade
Canary Wharf
London
E14 4PU

 www.pensions-ombudsman.org.uk
 enquiries@pensions-ombudsman.org.uk
 0800 917 4487

Personal pension scheme

A **personal pension scheme** which provides for an individual plan or policy for the participant and to which the individual and/or his employer can contribute. Benefits are based on the amount contributed and investment return achieved.

Primary protection

A means of protecting pension rights built up before **6 April 2006** from the **LTA charge** when benefits are taken on or after **6 April 2006** for people who notified **HMRC** by 5 April 2009. Individuals with **primary protection** can continue to contribute to **registered pension schemes** from **6 April 2006** and have a personal **LTA**, which is greater than the standard **LTA**.



Qualifying recognised overseas pension scheme (QROPS)

An overseas pension scheme that satisfies certain **HMRC** requirements so that it can accept transfers from UK **registered pension schemes**.

R

Recognised overseas pension scheme (ROPS)

An overseas pension scheme established in a country or territory mentioned in regulation 3(2) of the Pension Schemes (Categories of Country and Requirements for Recognised Overseas Schemes) Regulations 2006, or which satisfies other prescribed requirements.

Registered pension scheme

A pension scheme that has been registered with **HMRC** under Chapter 2 of Part 4 of the Finance Act 2004, in order to qualify for certain tax reliefs.

Relevant UK earnings

Relevant UK earnings are:

- a. employment income such as salary, wages, bonus, overtime, commission chargeable to tax under section 7(2) Income Tax (Earnings and Pensions) Act 2003 (ITEPA);
- b. income immediately derived from the carrying on or exercise of a trade, profession or vocation (whether individually or as a partner acting personally in a partnership) chargeable under Part 2 Income Tax (Trading and Other Income) Act 2005 (ITTOIA) (trading income);
- c. patent income within the meaning of section 579 ITTOIA, or amounts on which tax is payable under section 587 or 593 ITTOIA, or amounts on which tax is payable under section 472(5) of the Capital Allowances Act 2001 or paragraph 100 of Schedule 3 to that Act, in each case where the recipient alone or jointly devised the invention for which the patent in question was granted;
- d. income which is chargeable under Part 3 of ITTOIA and is immediately derived from the carrying on of a UK or an EEA furnished holiday lettings business (whether individually or as a partner acting personally in a partnership); and
- e. general earnings from an overseas Crown employment which are subject to tax in accordance with section 28 of ITEPA.

Relevant UK earnings are to be treated as not being chargeable to income tax if by virtue of section 2(1) Taxation (International and Other Provisions) Act 2010 (double taxation arrangements), they are not taxable in the United Kingdom. To the extent that they are not chargeable in this way, they will also not count towards the annual limit for relief.

Relevant UK individual

An individual is a **relevant UK individual** for a tax year if he/she:

- a. has **relevant UK earnings** chargeable to income tax for that tax year; or
- b. is resident in the United Kingdom at some time during that tax year; or
- c. was resident in the UK at some time during the five tax years immediately before the tax year in question and was also resident in the UK when he/she joined the pension scheme; or
- d. has for that tax year general earnings from overseas Crown employment subject to UK tax as defined by section 28 of the Income Tax (Earnings and Pensions) Act 2003 (ITEPA); or
- e. is the spouse or civil partner of an individual who has for the tax year general earnings from overseas Crown employment subject to UK tax (as defined by section 28 of ITEPA).

For an individual within b. to e. above, who does not have **relevant UK earnings**, the maximum **member** contribution is the basic amount (£3,600 (gross) for the 2020/2021 tax year and from then on until the Government notifies otherwise).

Residential property

HMRC rules provide that **residential property** can be in the UK or elsewhere, and is:

- a building or structure that is used or suitable for use as a dwelling;
- any related land that is wholly or partly the garden for the building or structure;
- any related land that is wholly or partly grounds for the **residential property** and which is used or intended for use for a purpose connected with the enjoyment of the building;
- any building or structure on any such related land;
- in limited situations a hotel, or similar accommodation, will be counted as **taxable property** though this will only be where it provides accommodation rights such as timeshare; or
- a beach hut.

Your **Barnett Waddingham SIPP** cannot hold **residential property** as an investment, unless it is classified by **HMRC** as a type of **residential property** which is not to be treated as such.

Retirement age

The age you choose to take your **retirement benefits**, which cannot be earlier than the **minimum pension age**, (unless you have a right to a protected early retirement pension age).

Retirement benefits

The benefits that can be taken from your **Barnett Waddingham SIPP** or other **registered pension schemes**, namely a **pension commencement lump sum**, **drawdown pension**, an **UFPLS** or the purchase of an **annuity** or a **short-term annuity**.



Salary sacrifice (or salary exchange)

An arrangement between an employer and an employee where the employee waives part of his/her salary in exchange for a corresponding employer contribution to a pension scheme.

Scheme

The Barnett Waddingham Self Invested Personal Pension is a **registered pension scheme** and is established and governed by a **trust deed and rules**.

Self-invested personal pension scheme (SIPP)

A **personal pension scheme** which allows the individual to have more control over the manner in which the assets are invested. **SIPPs** permit a wide range of investments and offer flexible retirement options.

Serious ill-health

If we receive evidence from a registered medical practitioner confirming that you are expected to live for less than a year, and you have not exceeded the *LTA*, you can exchange your *Barnett Waddingham SIPP* funds for a *serious ill-health* lump sum. This is not usually available from funds used for *drawdown pension*.

Short-term annuity

A temporary *annuity* that runs for up to five years, and allows an individual to draw an income and to defer buying an *annuity*.

Small self-administered scheme (SSAS)

A particular type of trust-based *occupational pension scheme* that is often used by business owners as a means of saving for retirement, whilst retaining control over the use and investment of pension scheme monies. Generally, all *SSAS members* are trustees.

Statutory drawdown pension illustration

Annual illustration issued to *personal pension scheme members* who are taking *drawdown pension*, giving forecasts of the effects of drawing certain levels of pension over various periods, allowing for certain levels of growth of the member's fund in those periods. It also provides a forecast of the level of *annuity* that might be bought.

Statutory money purchase illustration (SMPI)

Annual illustration issued to *personal pension scheme members* giving forecasts of benefits at the date of issue, and at retirement, of their *uncrystallised* funds.

Successor

A person nominated by a *beneficiary* (or, where applicable, the *operator*) to receive benefits from the *beneficiary's Barnett Waddingham SIPP* on the *beneficiary's* death. The *operator* can only consider a *beneficiary's successors* to receive pension income, and can only nominate a *successor* in the absence of any *successors* or charities that were nominated by the *beneficiary*.

Successor's flexi-access drawdown fund

A *flexi-access drawdown fund* established on the death of a *beneficiary*, who dies leaving unused funds in a *dependant's flexi-access drawdown fund* or a *nominee's flexi-access drawdown fund*, to enable the payment of pension income to a *successor* nominated by the *beneficiary* before his/her death (or, where applicable, by the *operator*).

Syndicated property

An investment by your *Barnett Waddingham SIPP* in a share of a commercial property, which is owned and managed through a syndicate property manager. Typically, this is via an investment fund, and not a direct ownership of the property itself. This is not the same as a *joint property purchase*.

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Tangible moveable property (TMP)

Things that can be touched and moved. This includes, but is not limited to, assets such as art, antiques, jewellery, fine wine, classic cars and yachts.

Tax relief

In most cases, personal or third-party (but not employer) contributions to your **Barnett Waddingham SIPP** will receive **tax relief**. We currently reclaim £20 from **HMRC** for each net £80 (net) that you contribute to your **Barnett Waddingham SIPP**. This is added to your **Barnett Waddingham SIPP** funds. Additional income **tax relief** may also be available if you are a higher or additional rate tax payer, and corporation **tax relief** for employers making contributions. Higher or additional rate tax payers may claim additional **tax relief** through a self-assessment tax return, or directly from **HMRC** themselves.

Taxable property

Property held by a SIPP that is subject to tax charges by **HMRC** – in particular, **residential property** and most **tangible moveable property**.

The Pensions Regulator (TPR)

The UK regulator of work-based pension schemes. **TPR's** principal aim is to prevent problems developing, and its statutory objectives include promoting and improving the understanding of the good administration of work-based pensions to protect **member** benefits.

TPR's contact details are:



The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW



www.thepensionsregulator.gov.uk

Threshold income

An annual monetary amount that determines whether an individual will be subject or not to a tapering of their **AA** for a particular tax year. Broadly, the amount is calculated by subtracting an individual's gross pension contributions from their net income earned during a tax year. (See also **adjusted income**.)

Transfer in

A transfer of the value of pension benefits from another pension scheme to your **Barnett Waddingham SIPP**, either in cash or **in specie**.

Transfer out

A transfer of part or the whole of your **Barnett Waddingham SIPP** funds to another **registered pension scheme** or to a **QROPS**, either in cash or **in specie**.

Trust deed and rules

The legal document which establishes the **scheme** and sets out how it is governed.

Trustee

BW SIPP Trustees Limited (company number 03011174), is a non-trading company set up to act as a bare trustee of the **scheme** and referred to in the **trust deed and rules** as the 'asset trustee'. Its sole purpose is to hold the **scheme** assets for the benefit of the **scheme members**. The trustee is not responsible for the day-to-day running of the **scheme** and as such is not regulated under the Financial Services and Markets Act 2000.

If you commenced your **Barnett Waddingham SIPP** before 1 October 2014, you will be a co-trustee with the trustee, and you will jointly hold the assets in your **Barnett Waddingham SIPP** with the trustee. If you commenced your **Barnett Waddingham SIPP** on or after 1 October 2014, the trustee will hold the assets in your **Barnett Waddingham SIPP** in its sole name.



Unauthorised payment

A payment that is not authorised by **HMRC**, made to or in respect of a **member**, or to or in respect of an employer, by a pension scheme. **Unauthorised payments** are subject to tax charges and are not permitted by the scheme.

Uncrystallised

Pension funds which have not yet been **crystallised** - i.e. no **retirement benefits** have been taken, (other than an **uncrystallised funds pension lump sum**, which is paid from **uncrystallised** funds).

Uncrystallised funds pension lump sum (UFPLS)

A lump sum payment or payments of some or all of the funds in your **Barnett Waddingham SIPP**, which is paid from **uncrystallised** funds that are not designated for **drawdown pension**. Usually 25% of the lump sum will be tax-free, with the remainder taxable as pension income at your marginal rate. You must have sufficient **LTA** available in excess of the **UFPLS**, and its payment will trigger the **money purchase AA**.



**BARNETT
WADDINGHAM**
beyond the expected

If you would like to discuss anything related to the Barnett Waddingham Self Invested Personal Pension for NFU Mutual Clients please contact us:



0344 443 0111



nfum@bwsipp.co.uk

www.bwsipp.co.uk

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Barnett Waddingham LLP is a body corporate with members to whom we refer as "partners". A list of members can be inspected at the registered office. Barnett Waddingham LLP (OC307678), BW SIPP LLP (OC322417), and Barnett Waddingham Actuaries and Consultants Limited (06498431) are registered in England and Wales with their registered office at 2 London Wall Place, London, EC2Y 5AU.

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