EXPLANATORY MEMORANDUM TO

THE REGISTERED PENSIONS SCHEMES (AUTHORISED REDUCTIONS) REGULATIONS 2006

2006 No. 1465

1. This explanatory memorandum has been prepared by the Commissioners for HM Revenue & Customs and is laid before the House of Commons by Command of Her Majesty.

2. Description

The instrument prevents an unauthorised payments charge where a member's pension is liable to be stopped on admission to the Royal Chelsea Hospital and also, where the pension is recommenced, to prevent subsequent payments of that pension as being unauthorised. It ensures that the possibility of reduction in scheme pension in these circumstances does not prevent the pension from satisfying the condition in the Finance Act 2004 that a pension payable in any relevant 12-month period cannot be less than that for the previous such period.

3. Matters of Special interest to the Select Committee on Statutory Instruments

None.

4. Legislative Background

The Regulations are made under powers conferred by paragraph 2(4)(h), (4A) and (8) of Schedule 28 to the Finance Act 2004.

5. Extent

The instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

This instrument is subject to annulment in pursuance of a resolution of the House of Commons and does not amend primary legislation. Accordingly no statement of compatibility with the Convention rights is required.

7. Policy Background

7.1 It is a longstanding legislative requirement that any pension that payable in respect of service in the armed forces is forfeited when a soldier is admitted as an in-pensioner at the Royal Hospital, Chelsea.

7.2 The simplified tax regime for pension schemes came into effect on 6 April 2006. Under these new rules, payment of a "scheme pension" cannot be stopped or reduced except in a limited range of circumstances set out in legislation. In the event of a reduction outside such circumstances, an unauthorised payments charge may apply on

the amount of the tax free lump sum paid in connection with that pension and on any subsequent payments of that pension.

8. Impact

8.1 A regulatory impact assessment in respect of the provisions of Part 4 of the Finance Act 2004 and subordinate legislation under it was published by the Board of Inland Revenue on 8 April 2004. This was updated on 22 March and is available on the HM Revenue and Customs website at www.hmrc.gov.uk/ria/simplifying-pensions.pdf

9. Contact

Angela Walker at HM Revenue & Customs Tel 020 7147 2820 or e-mail angela.walker1@hmrc.gsi.gov.uk