S T A T U T O R Y I N S T R U M E N T S

2003 No. 843

INCOME TAX

The Retirement Benefit Schemes (Indexation of Earnings Cap) Order 2003

Made - - - - *27th March 2003*

The Treasury, in exercise of the powers conferred upon them by section 590C(6) of the Income and Corporation Taxes Act 1988(**a**), hereby make the following Order:

1. This Order may be cited as the Retirement Benefit Schemes (Indexation of Earnings Cap) Order 2003.

2. For the purposes of section 590C(1) of the Income and Corporation Taxes Act 1988, the permitted maximum for the year of assessment 2003-04 is £99, 000.

Jim Fitzpatrick
John Heppell
27th March 2003 Two of the Lords Commissioners of Her Majesty's Treasury

(**a**) 1988 c.1. Section 590C was inserted by paragraph 4, Schedule 6 of the Finance Act 1989 (c.26), and amended by section 107(4) and (5) of the Finance Act 1993 (c.34).

EXPLANATORY NOTE

(This note is not part of the Regulations)

Section 590C(1) of the Income and Corporation Taxes Act 1988 ("the Act") provides that in arriving at an employee's final remuneration for the purposes of section 590(3)(a) or (d) of the Act, any excess over the permitted maximum figure ("the earnings cap") for the year of assessment in which the employee's participation in the scheme ceases shall be disregarded.

The earnings cap is calculated in accordance with sections 590C(2) – (5A) of the Act, as amended by section 107(4) and (5) of the Finance Act 1993. Section 590C(5) of the Act provides that if the retail prices index for the September preceding the year of assessment is higher than it was for the previous September, the earnings cap is calculated by increasing the previous year's figure by the same percentage as the percentage increase in the retail prices index, and, if the amount is not a multiple of £600, rounding it up to the nearest amount which is a multiple of £600.

The retail prices index is defined in section 833(2) of the Act, as amended by paragraph 22 of schedule 2 to the Transfer of Functions (Registration and Statistics) Order 1996 (S.I. 1996/273), as the "general index of retail prices (for all items) published by the Office for National Statistics".

The retail prices index was 177.6 for September 2002, and 174.6 for September 2001; a percentage increase of 1.7 per cent. Applying the calculation produces an amount of £99, 000 for the earnings cap for the year of assessment 2003-04.

£1.50

© Crown copyright 2003

Printed and published in the UK by The Stationery Office Limited
under the authority and superintendence of Carol Tullo, Controller of Her Majesty's
Stationery Office and Queen's Printer of Acts of Parliament.
E0548 04/2003 130843 19585

ISBN 0-11-045499-5

9 780110 454993