

Commentary on Personal Pension Schemes (Restriction on Discretion to Approve) (Permitted Investments) Regulations 2000

1. The tax regime for stakeholder pensions was proposed in a joint DSS and Inland Revenue consultation document issued on 16th September 1999. The main legislation covering these changes forms part of the Finance Act 2000
2. The draft regulations now issued for comment cover categories of assets in which tax approved Personal Pension Schemes may invest their funds. They also set out conditions for activities involving funds held by schemes
3. This note contains a short commentary on those regulations.
4. Copies of the draft regulations can be accessed on the Inland Revenue site at www.inlandrevenue.gov.uk or by e-mailing stakeholder@ir.gsi.gov.uk and including "subscribe investments" in the subject or title of the e mail Printed copies can be obtained by telephoning 020 7438 7514.

Comments on the draft regulations are invited by **Friday 20th October** and should be sent to:

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5. The regulations are in two parts. The main regulations, which cover the permitted investment categories for Personal Pension Schemes, and a schedule which is in two parts. Part I of the schedule lists the permitted investments for self- invested personal pension schemes. These are based on the existing practice operated by the Inland Revenue's Pension Schemes Office. Part II of the schedule sets out the rules that relate to Individual Pension Accounts (IPAs). These are based on the Treasury's IPA consultation paper that was issued on 11th July 2000.

Main Regulations

6. The regulations set out the permitted investments of a Personal Pension Scheme. There are references to schemes that are self invested pension schemes and to schemes that are not self invested. The permitted investment activity of both types of schemes is explained.
7. The draft regulations also contain rules about possible activities involving funds held by schemes, such as lending and transactions with scheme members of both types of scheme.

Part I of the schedule

8. The Schedule sets out permitted investments. A tax approved self-invested personal pension scheme may only invest in the categories of asset listed in Part I of the schedule.
9. Comments on the definitions of investments as they appear in the schedule are particularly welcome. It is recognised that the definitions will need to be finalised following the consultation.

Part II of the schedule

10. This part of the schedule defines the Individual Pension Account. It is based on the July Treasury paper and does not reflect comments made to the Treasury on the paper. There is no need to repeat any comments already made to the Treasury but we would welcome any further comments prompted by the definitions used in the draft regulations. The schedule includes conditions on:

- the manner in which funds may be received. In this context, the reference to “monies” in paragraph 2 includes cash, in specie transfers from other approved schemes and transfers of eligible investments
- the persons who may hold funds
- the purpose for which the funds must be used
- the permitted investments
- the degree of separation required where more than one arrangement exists
- who may be a manager of an IPA. This must be a person authorised by the FSA.
- information that may be required by the Board
- the degree of access to be allowed to officers of the Board

Throughout this part of the regulations, the use of the word “scheme” refers to an IPA and not to the approved pension arrangements, referred to as schemes, in Part I of the regulations.