

**2006 No...**

**INCOME TAX**

**The Taxation of Pension Schemes (Transitional Provisions)  
(No.2) Order 2006**

<i>Made</i>	- - -	2006
<i>Laid before the House of Commons</i>		2006
<i>Coming into force</i>		2006

The Treasury make the following Order in exercise of the powers conferred upon them by section 283(2) of the Finance Act 2004(a).

**Citation and commencement**

**1.**—(1) This Order may be cited as the Taxation of Pension Schemes (Transitional Provisions) (No.2) Order 2006 and shall come into force on 2006.

(2) In this Order—

“the 2004 Act” means the Finance Act 2004;

“Part 4” means Part 4 of the Finance Act 2004;

“BCE” means a benefit crystallisation event as set out in section 216;

a reference to a numbered section or Schedule (without more) is a reference to the section or Schedule bearing that number in Part 4; and

expressions which are defined, or are otherwise explained, in section 280 have the same meaning in this Order as they have in Part 4.

**Member’s unsecured pension funds**

**2.**—(1) In the case of an individual who meets the conditions set out in paragraph (2), paragraphs (3) and (4) apply.

(2) The conditions are as follows.

*Condition A*

The individual is a member of a scheme which falls within paragraph 1(1) of Schedule 36.

*Condition B*

The individual was, on 5<sup>th</sup> April 2006 entitled to a pension which was not provided under a defined benefits arrangement and which—

- (a) took the form of income drawdown under a retirement benefits scheme approved for the purposes of Chapter 1 of Part 14 of ICTA; or

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(a) 2004 c. 12.

- (b) was paid from the resources of—
  - (i) a small self-administered scheme as defined in the Retirement Benefits Schemes (Restriction on Discretion to Approve) (Small Self-Administered Schemes) Regulations 1991(a), or
  - (ii) a small self-administered scheme that had been approved under section 590 of ICTA, and the rules of the scheme on 5<sup>th</sup> April 2006 did not require the purchase of an annuity in respect of the individual; or
- (c) took the form of income withdrawal under a personal pension scheme approved under Chapter 4 of Part 14 of ICTA pursuant to section 634A(b) of that Act.

(3) Section 216 (benefit crystallisation events and amounts crystallised) shall be modified as follows.

(4) In BCE5A(c), in column 1 of the table, after the words “available for the payment of unsecured pension to the individual” add “except to the extent that, the sums and assets in the money purchase arrangement are sums or assets deemed to represent an arrangement pursuant to paragraph 8(1A) (a) to (c) of Schedule 28 as modified by article 29 of the Taxation of Pension Schemes (Transitional Provisions) Order 2006(d).”.

*Name*

*Name*

Two of the Lords Commissioners of Her Majesty’s Treasury

#### **EXPLANATORY NOTE**

*(This note is not part of the Regulations)*

This Order contains a further transitional provision in relation to the provisions for pension schemes which came into force on 6<sup>th</sup> April 2006 (“A Day”) pursuant to Part 4 of the Finance Act 2004 (“the 2004 Act”).

Article 2 modifies section 216 so that benefit crystallisation event 5A which was inserted by paragraph 29 of Schedule 23 to the Finance Act 2006, is not triggered where the individual had a drawdown fund in payment at A day. This paragraph is necessary because the provisions in the second column of BCE5A preventing overlap will not apply appropriately to funds that were in existence before A day.

The Board of Inland Revenue published a regulatory impact assessment in respect of the provisions of [Finance Bill? ] on 2006. That assessment is now available on the website of HM Revenue and Customs at [www.hmrc.gov.uk/ria/simplifying-pensions.pdf](http://www.hmrc.gov.uk/ria/simplifying-pensions.pdf) or obtained by writing to The Ministerial Correspondence Unit, 1st Floor, Ferrers House, PO Box 38, Castle Meadow Road, Nottingham, NG2 1BB.

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(a) S.I. 1991/1614. The definition of such a scheme was substituted by regulation 3 (b) of S.I. 1998/728.  
 (b) Section 634A was inserted by paragraph 4 of Schedule 11 to the Finance Act 1995, amended by paragraphs 12(2) and 18(8) and (9) of Schedule 10 to the Finance Act 1999 and paragraphs 10 and 11 of Part 1 of Schedule 13 to the Finance Act 2000, and prospectively repealed by the relevant entry in Part 3 of Schedule 42 to the Finance Act 2004.  
 (c) BCE(5A) was inserted by paragraph 29 of Schedule 23 to the Finance Act 2006 c.  
 (d) S.I. 2006/572