
STATUTORY INSTRUMENTS

2006 No. 572

**The Taxation of Pension Schemes
(Transitional Provisions) Order 2006**

Member's unsecured pension funds

29.—(1) In the case of an individual who meets the conditions set out in paragraph (2), paragraphs (3) to (5) apply.

(2) The conditions are as follows.

Condition A

The individual had not reached the age of 75 on 6th April 2006.

Condition B

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

Condition C

The individual was, on 5th 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
- (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(1), or
 - (ii) a small self-administered scheme that had been approved under section 590 of ICTA,
and the rules of the scheme on 5th 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(2) of that Act.

(3) Paragraph 8 of Schedule 28(3) (member's unsecured pension fund) is modified as follows—

(a) for sub-paragraph (1A) substitute—

“(1A) For the purposes of this Part sums or assets held for the purposes of an arrangement are member-designated funds if they have at any time been applied to provide a pension 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;

(1) [S.I. 1991/1614](#). The definition of such a scheme was substituted by regulation 3 (b) of [S.I. 1998/728](#).
(2) 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10 to the Finance Act 1999 and paragraphs 10 and 11 of Part 1 of Schedule 13 to the Finance Act 2000, and prospectively repealed by the relevant entry in Part 3 of Schedule 42 to the Finance Act 2004.
(3) Paragraph 8(1A) of Schedule 28 was inserted by paragraph 18 of Schedule 10 to the Finance Act 2005.

- (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, or
 - (ii) a small self-administered scheme that had been approved under section 590 of ICTA;
 - and the rules of scheme on 5th 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(4) of that Act.”.
- (b) after sub-paragraph (1A) insert—
 - “(1AA) The sums or assets referred to in sub-paragraph (1A) shall be treated as comprising a separate arrangement and the deemed designation of those sums or assets does not constitute benefit crystallisation event 1.
 - (1AB) Any sums or assets transferred from an arrangement referred to in sub-paragraph (1AA) shall be treated as comprising a separate arrangement.”.
- (4) For paragraph 9(1) of Schedule 28 substitute—
 - “9.—(1) “Unsecured pension year” in relation to an unsecured pension referred to in paragraph 8(1A), means—
 - (a) the period beginning on 6th April 2006 and ending on the earlier of—
 - (i) 5th April 2007, or
 - (ii) the date upon which the first reference period defined in paragraph 10(1A) treated as inserted by Article 5 of the Taxation of Pension Schemes (Transitional Provisions) Order 2006 terminates; and
 - (b) each succeeding period of 12 months.”.
- (5) Section 216 (benefit crystallisation events and amounts crystallised) shall be modified as follows—
 - (a) in BCE2, in column 1 of the table, after the words “under any of the relevant pension schemes” add—
 - “except to the extent that, the scheme pension was funded by the surrender of—
 - (a) 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; or
 - (b) sums or assets which have been transferred from an arrangement referred to in sub-paragraph (a) to the extent that the scheme pension is payable in respect of those sums or assets and any investment growth that has been made on them.”;
 - (b) in BCE4, in column 1 of the table, after the words “under any of the relevant pension schemes” add—
 - “except to the extent that, the purchase of the lifetime annuity was funded by the surrender of—

(4) 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.

- (a) 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; or
 - (b) sums or assets which have been transferred from an arrangement referred to in subparagraph (a) to the extent that the lifetime annuity is payable in respect of those sums or assets and any investment growth that has been made on them.”;
- (c) in BCE8, in column 1 of the table, after the words “in connection with the individual’s membership of that pension scheme” add—
“unless the sums or assets transferred were—
- (a) 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; or
 - (b) sums or assets which had been transferred from an arrangement referred to in subparagraph (a).”.

For the purposes of this paragraph references to “BCE” are references to a benefit crystallisation event as set out in section 216.