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STATUTORY INSTRUMENTS

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**2006. No. 138**

**INCOME TAX**

**The Pension Schemes (Reduction  
in Pension Rates) Regulations 2006**

<i>Made</i>	- - - -	<i>25th January 2006</i>
<i>Laid before the House of Commons</i>	- - - -	<i>26th January 2006</i>
<i>Coming into force</i>	- -	<i>6th April 2006</i>

The Commissioners for Her Majesty's Revenue and Customs, in exercise of the powers conferred by paragraph 2(4)(e) and (h) of Schedule 28 to the Finance Act 2004<sup>(1)</sup>, and now exercisable by them<sup>(2)</sup>, make the following Regulations:

**Citation, commencement and interpretation**

1.—(1) These Regulations may be cited as the Pension Schemes (Reduction in Pension Rates) Regulations 2006 and shall come into force on 6th April 2006.

(2) In these Regulations a reference, without more, to a paragraph is a reference to a paragraph of Schedule 28 of the Finance Act 2004.

**Forfeiture of entitlement to pension — prescribed circumstances**

2.—(1) For the purposes of paragraph 2(4)(e) (forfeiture of entitlement to pension) the prescribed circumstances are where forfeiture of a pension has been permitted —

- (a) under section 92(2) or 93 of the Pensions Act 1995<sup>(3)</sup> (“the 1995 Act”) providing that the member meets the condition set out in sub-paragraph 2(2);
- (b) under section 92(4) or (5) of the 1995 Act;
- (c) under Article 90(4) or (5) or 91 of the Pensions (Northern Ireland) Order 1995<sup>(4)</sup>;

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(1) 2004 c. 12. Paragraphs (e) and (h) were inserted into paragraph 2(4) by paragraph 11 of Schedule 10 to the Finance Act 2005 c. 7.

(2) The functions of the Commissioners of Inland Revenue (“the former Commissioners”) were transferred to the Commissioners for Her Majesty's Revenue and Customs (“the new Commissioners”) by section 5 of the Commissioners for Revenue and Customs Act 2005 (c. 11). Section 50(1) provides that, so far as appropriate in consequence of section 5, references to the former Commissioners are to be read as references to the new Commissioners.

(3) 1995 c. 26.

(4) S.I. 1995/3213 (N.I. 22).

- (d) in any of the circumstances prescribed by the Occupational Pension Schemes (Assignment, Forfeiture, Bankruptcy etc.) Regulations 1997<sup>(5)</sup> or the Occupational Pension Schemes (Assignment, Forfeiture, Bankruptcy etc.) Regulations (Northern Ireland) 1997<sup>(6)</sup>.
- (2) The condition referred to in sub-paragraph 2(1)(a) is that the member is not connected with—
  - (a) the sponsoring employer of the scheme in respect of which the scheme pension is payable (“the employer”); or
  - (b) a person who is connected with the employer.
- (3) Section 839 of ICTA 1988 applies to determine whether persons are connected for the purposes of paragraph (2) of this regulation.

**Reduction of pension — prescribed circumstances**

3. For the purposes of paragraph 2(4)(h) (reduction of the pension in any other circumstances prescribed by regulations) the prescribed circumstances are where the amount of pension payable to a member has been reduced under any of the following provisions—
- (a) section 138(2) of the Pensions Act 2004<sup>(7)</sup> (payment of scheme benefits);
  - (b) article 122(2) of the Pensions (Northern Ireland) Order 2005<sup>(8)</sup>;
  - (c) paragraph 14(3) or 15(3) (guaranteed minimum pension etc) of Schedule 5 to the Gender Recognition Act 2004<sup>(9)</sup>.

25th January 2006

*Paul Gray*  
*Mike Eland*  
Two of the Commissioners for Her Majesty’s  
Revenue and Customs

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(5) S.I. 1997/785.  
(6) S.R. 1997 No. 153.  
(7) 2004 c. 35.  
(8) S.I. 2005/255 (N.I.1).  
(9) 2004 c. 7.

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## EXPLANATORY NOTE

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

These Regulations prescribe the circumstances in which pensions are exempted from the requirement in sub-paragraph 2(3) of Schedule 28 to the Finance Act 2004 (“the 2004 Act”) that the rate of pension payable in respect of any relevant 12 month period is not less than the rate payable in respect of the previous 12 month period.

Regulation 1 provides for citation, commencement and interpretation.

Regulation 2 prescribes the circumstances in which pensions which have been forfeited are exempt from the requirement set out in sub-paragraph 2(3) of Schedule 28 to the 2004 Act.

Regulation 3 prescribes the circumstances in which pensions which have been reduced are exempt from the requirement set out in sub-paragraph 2(3) of Schedule 28 to the 2004 Act.

These Regulations do not impose any new costs on business.