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## SCHEDULES

### SCHEDULE 3

#### OCCUPATIONAL PENSION SCHEMES

#### PART I

#### AMENDMENTS OF FINANCE ACT 1970 ETC.

##### *The Finance Act 1970.*

- 1 (1) In subsection (2A) of section 19 of the Finance Act 1970 (mandatory approval of schemes) in paragraph (d), after the words “final remuneration” there shall be inserted the words “(disregarding any excess of that remuneration over the permitted maximum)”; and after that subsection there shall be inserted—
  - “(2B) In subsection (2A) above “the permitted maximum” means £100,000 or such other sum as may for the time being be specified in an order made by the Treasury; and an order under this subsection shall be made by statutory instrument, which shall be subject to annulment in pursuance of a resolution of the House of Commons.”
- (2) This paragraph shall be deemed to have come into force on 17th March 1987.
- 2 (1) In subsection (3) of section 19 (withdrawal of approval) after the words “such date” there shall be inserted the words “(which shall not be earlier than the date when those facts first ceased to warrant the continuance of their approval)”.
- (2) This paragraph shall be deemed to have come into force on 17th March 1987, but shall not authorise the withdrawal of an approval from a day before that day.
- 3 (1) Section 20 (discretionary approval) shall be amended as follows.
- (2) At the end of subsection (1) there shall be added the words “; but this subsection has effect subject to subsection (4) below.”.
- (3) For paragraph (g) of subsection (2), there shall be substituted—
  - “(g) which provides in certain contingencies for securing relevant benefits (but no other benefits) by means of an annuity contract approved by the Board and made with an insurance company of the employee’s choice,”.
- (4) After paragraph (g) of subsection (2) there shall be added—
  - “or
  - (h) to which the employer is not a contributor and which provides benefits additional to those provided by a scheme to which he is a contributor.”.

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- (5) At the end of the section there shall be added—
- “(4) The Board shall not approve a scheme by virtue of this section if to do so would be inconsistent with regulations made for the purposes of this section.
- (5) Regulations made for the purposes of this section may restrict the Board’s discretion to approve a scheme by reference to the benefits provided by the scheme, the investments held for the purposes of the scheme, the manner in which the scheme is administered, or any other circumstances whatever.
- (6) The power to make regulations for the purposes of this section shall be exercisable by the Board by statutory instrument, which shall be subject to annulment in pursuance of a resolution of the House of Commons.”.
- 4 (1) In subsection (4) of section 21 (tax relief for ordinary annual contributions) the words “ordinary annual” shall be omitted; and after that subsection there shall be inserted—
- “(4A) The amount allowed to be deducted by virtue of subsection (4) above in respect of contributions paid by an employee in a year of assessment (whether under a single scheme or under two or more schemes) shall not exceed 15 per cent., or such higher percentage as the Board may in a particular case prescribe, of his remuneration for that year.”.
- (2) This paragraph shall have effect in relation to contributions paid on or after 6th April 1987.
- 5 After subsection (7) of section 21 there shall be inserted—
- “(7A) Subsection (2) of section 354 and subsection (3) of section 354A of the Taxes Act (which treat unit holders under unit trust schemes as receiving certain payments) shall not apply to any authorised unit trust which is also an exempt approved scheme if the employer is not a contributor to the exempt approved scheme and that scheme provides benefits additional to those provided by another exempt approved scheme to which he is a contributor.
- (7B) A gain accruing to a unit holder on his disposal of units in an authorised unit trust to which subsection (7A) above applies shall not be a chargeable gain for the purposes of capital gains tax.”.
- 6 (1) In subsection (2) of section 22 (tax relief for ordinary annual contributions) the words “ordinary annual” shall be omitted, and for the words “chargeable period” there shall be substituted the words “year of assessment”; and after that subsection there shall be inserted—
- “(2A) The amount allowed to be deducted by virtue of subsection (2) above in respect of contributions paid by a person in a year of assessment (whether under a single scheme or under two or more schemes) shall not exceed 15 per cent., or such higher percentage as the Board may in a particular case prescribe, of his remuneration for that year.”.
- (2) This paragraph shall have effect in relation to contributions paid on or after 6th April 1987.
- 7 (1) Section 26 (1) shall be amended as follows.
- (2) After the definition of “pension” there shall be inserted—

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““the permitted maximum” has the meaning given by section 19(2B) above;”.

- (3) After the definition of “relevant benefits” there shall be inserted—
- ““remuneration” does not include—
- (a) anything in respect of which tax is chargeable under Schedule E and which arises from the acquisition or disposal of shares or an interest in shares or from a right to acquire shares, or
  - (b) anything in respect of which tax is chargeable by virtue of section 187 of the Taxes Act (payments on termination of employment, etc.);”.
- 8 In section 26(2), after the words “the employer” there shall be inserted the words “or the employee”, and at the end there shall be added the words “; and any reference to pensions or contributions paid, or payments made, under a scheme includes a reference to pensions or contributions paid, or payments made, under such a contract entered into for the purposes of the scheme”.
- 9 (1) In Schedule 5 to the Finance Act 1970, in paragraph 3(1)(i), after the words “final remuneration” there shall be inserted the words “(disregarding any excess of that remuneration over the permitted maximum)”.
- (2) This paragraph applies to any payments made on or after 17th March 1987 except payments made under schemes approved or established before that date to employees who became members before that date.
- 10 In paragraph 3 of that Schedule, at the end there shall be added—
- “(7) Where the pension has been secured by means of an annuity contract with an insurance company and the sum receivable is payable under that contract by the insurance company, the references to the administrator of the scheme in sub-paragraph (2) above and paragraph 2(2) and (4) above as applied by sub-paragraph (2) are to be read as references to the insurance company.
- (8) In sub-paragraph (7) above “insurance company” means—
- (a) a person authorised under section 3 or 4 of the Insurance Companies Act 1982 to carry on long term business and acting through a branch or agency in the United Kingdom, or
  - (b) a society registered as a friendly society under the Friendly Societies Act 1974 or the Friendly Societies Act (Northern Ireland) 1970.”
- 11 In paragraph 6 (which shall become paragraph 6(1)) of that Schedule, for the word “supported” there shall be substituted the word “accompanied”; and at the end there shall be added—
- “(2) The form in which an application for approval is to be made, or in which any information is to be given, in pursuance of this paragraph may be prescribed by the Board.”.
- 12 After paragraph 6 of that Schedule there shall be inserted—
- “Relief by deduction from contributions.*
- 6A (1) Relief under section 21(4) of this Act shall be given in accordance with sub-paragraphs (2) and (3) below in such cases and subject to such

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- conditions as the Board may prescribe by regulations under paragraph 10 below in respect of schemes—
- (a) to which employees, but not their employers, are contributors, and
  - (b) which provide benefits additional to benefits provided by schemes to which their employers are contributors.
- (2) An employee who is entitled to relief under section 21(4) in respect of a contribution may deduct from the contribution when he pays it, and may retain, an amount equal to income tax at the basic rate on the contribution.
- (3) The administrator of the scheme—
- (a) shall accept the amount paid after the deduction in discharge of the employee’s liability to the same extent as if the deduction had not been made, and
  - (b) may recover an amount equal to the deduction from the Board.
- (4) Regulations under paragraph 10 below may, without prejudice to the generality of that paragraph,—
- (a) provide for the manner in which claims for the recovery of a sum under sub-paragraph (3)(b) above may be made;
  - (b) provide for the giving of such information, in such form, as may be prescribed by or under the regulations;
  - (c) provide for the inspection by persons authorised by the Board of books, documents and other records.”
- 13 In paragraph 7 (which shall become paragraph 7(1)) of that Schedule, at the end there shall be added—
- “(2) Where benefits provided for an employee under an approved scheme or a statutory scheme have been secured by means of an annuity contract with an insurance company (within the meaning given by paragraph 3 above), the insurance company shall, within thirty days from the date of a notice from the inspector requiring it to do so, prepare and deliver to the inspector a return containing particulars of—
- (a) any payments under the contract by way of commutation of, or in lieu of, a pension, or any other lump sum payments under the contract, and
  - (b) any payments made under the contract to the employer.”.
- 14 In paragraph 8(2)(a) of that Schedule, after the words “such scheme” there shall be inserted the words “to which he contributes”.
- 15 In paragraph 9 of that Schedule, after sub-paragraph (1) there shall be inserted—
- “(1A) Sub-paragraph (1) above does not apply if the employer is not a contributor to the scheme.”.
- The Taxes Act.*
- 16 In section 323(4) of the Taxes Act (insurance companies: interpretation of “pension business”), after paragraph (ab) there shall be inserted—
- “(ac) any annuity contract entered into for the purposes of—

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- (i) a scheme which is approved or is being considered for approval under Chapter II of Part II of the Finance Act 1970,
  - (ii) a statutory scheme as defined in section 26 of that Act, or
  - (iii) a fund to which section 36 of the Finance Act 1980 applies, being a contract which is approved by the Board and made with the persons having the management of the scheme or fund (or those persons and a member of or contributor to the scheme or fund) and by means of which relevant benefits as defined in section 26 of the Finance Act 1970 (but no other benefits) are secured,
- (ad) any annuity contract approved by the Board which is entered into in substitution for a contract within paragraph (ac) above,”.

*The Taxes Management Act 1970.*

- 17 In both columns in the Table in section 98 of the Taxes Management Act 1970, after the reference to provisions of Schedule 5 to the Finance Act 1970 there shall be inserted—

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“Regulations under paragraph 10 of that Part of that Schedule”.

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