
EXPLANATORY NOTE

(This note is not part of the Regulations)

Part II of Schedule 3 to the Finance (No.2) Act 1987 makes provisions with regard to occupational pension schemes approved before 23rd July 1987, the day upon which that Act received Royal Assent.

Paragraphs 20 and 21 of Schedule 3 apply where an employee becomes a member of such a scheme on or after 17th March 1987 and, respectively, the scheme allows him to commute his pension or part of it for a lump sum or sums or the scheme provides a lump sum or sums for him otherwise than by commutation of his pension or part of it.

In certain circumstances paragraphs 20 and 21 override the rules of such a scheme so as to limit the amount of a lump sum or lump sums which may be paid to an employee. Among the expressions used in the paragraphs is “maximum rate lump sum,” which by paragraph 20(4)(d) means a lump sum of such amount as may be determined by or under Regulations made by the Commissioners of Inland Revenue for the purposes of that paragraph and paragraph 21.

The Regulations provide for the determination of the amount of a “maximum rate lump sum”.

Regulation 1 provides for citation and commencement and regulation 2 is introductory.

Regulation 3 introduces the Schedule to the Regulations which contains a Table from which the amount of a “maximum rate lump sum” is to be ascertained by reference to the period of an employee’s service with his employer and the amount of his “relevant annual remuneration”, an expression defined in paragraph 26(1) of Schedule 3.