STATUTORY INSTRUMENTS

1999 No. 592

INCOME TAX

The Retirement Benefits Schemes
(Indexation of Earnings Cap) Order 1999

Made - - - -		*9th March 1999*

The Treasury, in pursuance of section 590C(6) of the Income and Corporation Taxes Act 1988(**1**),
hereby make the following Order:

1. This Order may be cited as the Retirement Benefits Schemes (Indexation of Earnings Cap)
Order 1999.

2. The figure specified in this Order, which is the figure found for the year of assessment 1999–
00, for the purposes of section 590C of the Income and Corporation Taxes Act 1988, by virtue of
subsections (4) and (5) of that section, is £90,600.

David Jamieson
Jim Dowd
Two of the Lords Commissioners of Her
9th March 1999   Majesty's Treasury

(**1**)   1988 c. 1; section 590C was inserted by paragraph 4 of Schedule 6 to the Finance Act 1989 (c. 26) and amended by
section 107(4) and (5) of the Finance Act 1993 (c. 34).

EXPLANATORY NOTE

(This note is not part of the Order)

Section 590C(1) of the Income and Corporation Taxes Act 1988 ("the Act") provides that in arriving at an employee's final remuneration for the purposes of section 590(3)(a) or (d) of the Act (conditions for approval of retirement benefits schemes), any excess over the permitted maximum figure ("the earnings cap") for the year of assessment in which the employee's participation in the scheme ceases shall be disregarded. Section 590C(3) fixed the earnings cap for the years of assessment 1988–89 and 1989–90 at £60,000.

Subsections (4) and (5) of section 590C of the Act (as amended by section 107(4) and (5) of the Finance Act 1993) provide for the earnings cap to be increased, for any subsequent year of assessment, in accordance with the percentage increase in the retail prices index for the September preceding that year of assessment over that for the previous September, rounded up to the nearest amount which is a multiple of £600.

The "retail prices index" is defined in section 833(2) of the Act, as amended by paragraph 22 of Schedule 2 to the Transfer of Functions (Registration and Statistics) Order 1996 (S.I.1996/273), as the "general index of retail prices (for all items) published by the Office for National Statistics". The retail prices index for the month of September 1997 is 159.3 and for September 1998 164.4 (based on January 1987 as 100) (see Table 3.1 on page T28 of the November 1998 issue (No. 540) of Economic Trends, a publication of the Government Statistical Service).

Section 590C(6) of the Act provides that the Treasury shall in the year of assessment 1989–90, and in each subsequent year of assessment, make an order by statutory instrument, specifying the earnings cap for the following year of assessment.

The earnings cap for the year of assessment 1999–00 specified by this Order is £90,600.

This figure is also the figure found as the permitted maximum or allowable maximum for 1999–00 for the purposes of the following sections of the Act:

— section 590B (maximum remuneration for the purposes of calculating the aggregate amount of pension and commuted pension in cases of associated employments and connected schemes);

— section 592 (maximum remuneration for the purposes of calculating amount deductible in respect of a person's contributions paid under relevant statutory schemes);

— section 594 (maximum remuneration for the purposes of calculating amount deductible in respect of a person's contributions paid under relevant statutory schemes);

— section 599 (maximum final remuneration for the purposes of calculating amount of excess of commuted entire pension on which tax chargeable);

— section 640A (maximum net relevant earnings for the purposes of deductions from contributions under approved personal pension arrangements);

— section 646A (maximum net relevant earnings for such purposes in cases of associated employments);

and for the purposes of paragraph 20 and, by paragraph 22, for the purposes of paragraph 21 of Schedule 6 to the Finance Act 1989 (rules of retirement benefits schemes approved before 27th July 1989).