

**2007 No. 826**

**INCOME TAX**

**The Registered Pension Schemes (Bridging Pensions)  
Regulations 2007**

<i>Made</i>	- - - -	<i>13th March 2007</i>
<i>Laid before the House of Commons</i>		<i>14th March 2007</i>
<i>Coming into force</i>	- -	<i>6th April 2007</i>

The Treasury make the following Regulations in exercise of the powers conferred by paragraphs 2(5) and 2(8) of Schedule 28 to the Finance Act 2004(a).

**Citation, commencement and effect**

1.—(1) These Regulations may be cited as the Registered Pension Schemes (Bridging Pensions) Regulations 2007 and shall come into force on 6th April 2007.

(2) These Regulations have effect in relation to payments of scheme pensions made on or after 6th April 2006.

**Prescribed percentage of the basic pension rate**

2.—(1) The prescribed percentage of the rate of the basic pension under paragraph 2(5)(c) of Schedule 28 to the Finance Act 2004 is that found by the formula—

$$125 + \left( 125 \frac{A}{B} \right)$$

Here—

A is the total number of years of a member's employment to which the pension scheme relates which is not or has not been contracted-out employment, and

B is the total number of years of a member's employment to which the pension scheme relates.

(2) In paragraph (1) "the basic pension" and "contracted-out employment" have the meanings given by paragraph 2(5A) of Schedule 28 to the Finance Act 2004(b).

13th March 2007

*Frank Roy*  
*Alan Campbell*  
Two of the Lords Commissioners of Her Majesty's Treasury

---

(a) 2004 c. 12; paragraph 2(5) of Schedule 28 was substituted by paragraph 20(3) of Schedule 23 to the Finance Act 2006 (c. 25), and paragraph 2(8) of Schedule 28 was inserted by paragraph 11(9) of Schedule 10 to the Finance Act 2005 (c. 7) and amended by paragraph 20(4) of Schedule 23 to the Finance Act 2006.  
(b) Paragraph 2(5A) of Schedule 28 was substituted by paragraph 20(3) of Schedule 23 to the Finance Act 2006.

## EXPLANATORY NOTE

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

Part 4 of the Finance Act 2004 (c. 12) (“the Act”) introduced changes to the taxation of pension schemes.

Schedule 28 (“the Schedule”) to the Act sets out the criteria which determine whether a pension payable to a member is a scheme pension. Paragraph 2(4) of the Schedule, as amended by paragraph 20 of Schedule 23 to the Finance Act 2006 (c. 25) (“Bridging pensions”), provides for certain circumstances in which a member’s scheme pension may be reduced or stopped.

A reduction in the rate of the pension when a member is between the age of 60 and 65 which does not exceed the relevant state retirement pension rate is permitted. Paragraph 2(5) sets out the relevant state retirement pension rate at any time depending on whether a member has been in contracted-out employment or not.

Paragraph 2(5)(c) permits the Treasury to prescribe the percentage of the rate of the basic pension by which the pension can be reduced where the member has not exclusively been in contracted-out employment. Such rate must fall within the percentage rates set out in paragraph 2(5)(a) and (b). These Regulations exercise this power.

Regulation 1 provides for citation, commencement and effect.

Regulation 2 prescribes the formula to calculate the percentage of the rate of the basic pension by which a scheme pension can be reduced or stopped and defines “basic pension” and “contracted-out employment”.

Authority for the retrospective provision made by these Regulations is conferred by paragraph 2(8) of Schedule 28 to the Finance Act 2004.

A full regulatory impact assessment has not been produced for this instrument as no impact on the private or voluntary sectors is foreseen. On 22 March 2006 HM Revenue & Customs published a regulatory impact assessment in respect of the provisions of Schedule 23 of the Finance Act 2006 (c. 25) (Pension Schemes etc: miscellaneous) and the subordinate legislation that was expected to be made under it. The assessment is available on HM Revenue & Customs website at <http://www.hmrc.gov.uk/ria/simplifying-pensions.pdf> or (for hard copies) by writing to the Ministerial Correspondence Unit, 2nd Floor Ferrers House, PO Box 38, Castle Meadow Road, Nottingham, NG2 1BB.

£3.00

© Crown copyright 2007

Printed and published in the UK by The Stationery Office Limited  
under the authority and superintendence of Carol Tullo, Controller of Her Majesty’s  
Stationery Office and Queen’s Printer of Acts of Parliament.

E0441 3/2007 170441T 19585