

## **EXPLANATORY MEMORANDUM TO**

### **The Registered Pension Schemes (Block Transfers) (Permitted Membership Period) (Amendment) Regulations 2007**

**2007 No. 838**

- 1.** This explanatory memorandum has been prepared by Her Majesty's Revenue and Customs and is laid before the House of Commons by Command of Her Majesty.

This memorandum contains information for the Select Committee on Statutory Instruments.

#### **2. Description**

- 2.1** These Regulations make a small amendment to The Registered Pension Schemes (Block Transfers) (Permitted Membership Period) Regulations 2006, which specify as twelve months the maximum period during which an individual can have been a member of a registered pension scheme in order for a transfer into that scheme to be a "block transfer". A block transfer is a transfer from one scheme to another under which certain rights, transitionally protected from an earlier tax regime, are preserved in the transferee scheme. This twelve month limit does not apply in cases where the transfer is made into a personal pension scheme containing only contracted-out rights.
- 2.2** The amendment made by these Regulations provides for the twelve month limit to be removed in the above cases when the transfer is made on or after 6<sup>th</sup> April 2007.

#### **3. Matters of special interest to the Select Committee on Statutory Instruments**

These Regulations shall come into force on 6 April 2007. The existing Regulations provide for transfers made before that date.

#### **4. Legislative Background**

These Regulations are made in exercise of the powers in paragraph 22(6)(b) of Schedule 36 to the Finance Act 2004. This function was transferred from the Commissioners of Inland Revenue to the Commissioners for Her Majesty's Revenue and Customs by section 5(2) of the Commissioners for Revenue and Customs Act 2005.

#### **5. Territorial extent and application**

This instrument applies to all of the United Kingdom.

#### **6. European Convention on Human Rights**

As the instrument is subject to the negative resolution procedure and does not amend primary legislation, no statement is required.

## **7. Policy Background**

- 7.1 The simplified tax regime for pension schemes came into effect on 6 April 2006, and applies to all “registered” (tax-privileged) pension schemes. Under the new rules, certain pension rights exercisable under a previous tax regime but not the new regime are transitionally protected by way of provisions in Schedule 36 of the Finance Act 2004. These include entitlements to take benefits before “normal minimum pension age” (which is 50, rising to 55 from 6 April 2010) or to take a tax-free lump sum (a “pension commencement lump sum”) valued at more than the normal maximum of 25% of total rights. These entitlements are generally lost if the individual transfers from one scheme to another on or after 6 April 2006. However, if the transfer is a “block transfer”, then the two forms of protected entitlement mentioned above are maintained in the transferee scheme. A block transfer must involve the transfer in a single transaction of all sums and assets representing the rights of a minimum of two members.
- 7.2 For a transfer to be a block transfer, the member transferred must also have been a member of the transferee scheme for no longer than a period prescribed by regulations. That period is prescribed as twelve months by the original Regulations. However, this prior membership condition is relaxed where the transfer is made into a personal pension scheme containing only contracted-out rights. In that situation, any period prior to 6 April 2006 is ignored in calculating the prior membership period. That provision gives cover for transfers made between 6 April 2006 and 5 April 2007.
- 7.3 These Regulations ensure that this cover also includes transfers made on or after 6th April 2007, which was the original intention, by providing that any period before the start of the twelve month period is ignored in these cases.

## **8. Impact**

A full regulatory impact assessment has not been produced for this instrument as no impact on the private or voluntary sectors is foreseen. On 8 April 2004 the Board of Inland Revenue published a regulatory impact assessment in respect of the provisions of Part 4 of the Finance Act 2004 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.

## **9. Contact**

Mark Bravery at HM Revenue & Customs (tel: 020 7147 2860 or e-mail: [mark.bravery@hmrc.gsi.gov.uk](mailto:mark.bravery@hmrc.gsi.gov.uk)) can answer any queries regarding the instrument.