

**2016 No. 1005**

**INCOME TAX**

**The Registered Pension Schemes (Bridging Pensions) and  
Appointed Day Regulations 2016**

<i>Made</i> - - - -	17th October 2016
<i>Laid before House of Commons</i>	18th October 2016
<i>Coming into force</i> - -	8th November 2016

The Commissioners for Her Majesty's Revenue and Customs make the following Regulations in exercise of the powers conferred by paragraph 2(4)(h) and (8) of Schedule 28 to the Finance Act 2004 (a), and section 20(6) of the Finance Act 2016(b) and now exercisable by them(c).

**Citation, commencement and effect**

1.—(1) These Regulations may be cited as the Registered Pension Schemes (Bridging Pensions) and Appointed Day Regulations 2016 and come into force on 8th November 2016

(2) These Regulations have effect in relation to reductions in payments of scheme pensions(d) made on or after 6th April 2016.

**Appointed day in respect of amendments made to Part 1 of Schedule 28 to the Finance Act 2004**

2. The appointed day for the coming into force of section 20(2) to (5) of the Finance Act 2016 is 6th April 2016.

**Pensions bridging: Pensionable age on or before 5th April 2016**

3.—(1) This regulation applies to a member who reached pensionable age(e) on or before 5th April 2016.

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- (a) 2004 c.12. Paragraph 2(4)(h) of Schedule 28 was inserted by paragraph 11(6) of Schedule 10 to the Finance Act 2005 (c.7) and paragraph 2(8) of Schedule 28 was inserted by paragraph 11(9) of Schedule 10 to the Finance Act 2005 and amended by paragraph 20(4) of Schedule 23 to the Finance Act 2006 (c.25) and section 20(4) of the Finance Act 2016 (c.24).
- (b) 2016 c.24.
- (c) The functions of the Board of Inland Revenue were transferred to the Commissioners for Her Majesty's Revenue and Customs by section 5(1) of the Commissioners for Revenue and Customs Act 2005 (c.11). Section 50(1) of that Act provides that in so far as is appropriate in consequence of section 5, a reference in an enactment to the Commissioners of Inland Revenue (however expressed) shall be taken as a reference to the Commissioners for Her Majesty's Revenue and Customs.
- (d) Scheme pension has the meaning given in paragraph 2 of Schedule 28 to the Finance Act 2004. Paragraph 2 of Schedule 28 was amended by sections 101 and 104 of and Schedules 10 and 11 to the Finance Act 2005, section 161 of and Schedule 23 to the Finance Act 2006, section 70 of and Schedule 20 to the Finance Act 2007 (c.11), section 51 of the Finance Act 2013 (c.29), the Tax and Civil Partnership Regulations S.I.2007/493 and section 20 of the Finance Act 2016.
- (e) Pensionable age has the meaning given in section 279 of the Finance Act 2004 as inserted by section 66 of and paragraph 21 of Schedule 17 to the Finance Act 2011 (c.11).

(2) The following are prescribed circumstances for the purposes of paragraph 2(4) of Schedule 28 to the Finance Act 2004(a)—

- (a) a reduction in the rate of the scheme pension, taking effect at a time during the permitted period, which together with any previous reductions of the kind referred to in this paragraph does not exceed the relevant state retirement pension rate at that time, or
- (b) the pension ceasing to be payable at a time during the permitted period if at that time that rate is greater than the rate of the pension.

(3) In paragraph (2)

- (a) “the permitted period” means the period beginning with the day on which the member reaches the age of 60 and ending with the day on which the member reaches the age of 65,
- (b) “relevant state retirement pension rate” at any time means—
  - (i) where no employment of the member to which the pension scheme relates is or has been other than contracted-out employment by reference to the pension scheme, 125% of the rate of the basic pension at that time,
  - (ii) where no such employment of the member is or has been contracted-out employment by reference to the pension scheme, 250% of the rate of the basic pension at that time, and
  - (iii) otherwise, the percentage of the rate of the basic pension is that found by the formula set out below —

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

Where—

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, and

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

(4) For the purposes of paragraph (3)(b)—

- (a) “contracted-out employment” has the meaning given in section 8(1) and (1A) of the Pension Schemes Act 1993(b) or section 4(1) of the Pension Schemes (Northern Ireland) Act 1993(c), and
- (b) “the basic pension” means the basic pension specified in section 44(4) of the Social Security Contributions and Benefits Act 1992(d) or section 44(4) of the Social Security Contributions and Benefits (Northern Ireland) Act 1992(e).

### **Pensions bridging: Pensionable age on or after 6th April 2016**

**4.—**(1) This regulation applies to a member who reached pensionable age on or after 6th April 2016.

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(a) 2004 c.12.  
(b) 1993 c.48. Section 8(1) was substituted by paragraph 7(2) of Schedule 13 to the Pensions Act 2014 (c.19) and section 8(1A) was inserted by paragraph 3(3) of Schedule 4 to the Pensions Act 2007 (c.22) and amended by paragraph 2 of Schedule 13 to the Pensions Act 2014.  
(c) 1993 c.49. Section 4(1) was substituted by paragraph 7(2) of Schedule 13 to the Pensions Act (Northern Ireland) 2015 (c.5).  
(d) 1992 c.4. Section 44(4) was substituted by section 68 of the Social Security Act 1998 (c.68) and amended by Schedule 8 to the Welfare Reform Act 2007 (c.5), article 4(3) of the Social Security Benefits Up-rating Order S.I.2015/457 and article 4 of the Social Security Benefits Up-rating Order S.I. 2016/230.  
(e) 1992 c.7. Section 44(4) was substituted by article 64 of the Social Security (Northern Ireland) Order S.I.1998/1506 and amended by article 4(3)(a) of the Social Security Benefits Up-rating Order (Northern Ireland) S.I.2015/124 and article 4 of the Social Security Benefits Up-rating Order (Northern Ireland) S.I.2016/92.

(2) The following are prescribed circumstances for the purposes of paragraph 2(4) of Schedule 28 to the Finance Act 2004—

- (a) a reduction in the rate of the scheme pension, taking effect at a time during the permitted period, which together with any previous reductions of the kind referred to in this paragraph does not exceed the relevant state retirement pension rate at that time, or
- (b) the pension ceasing to be payable at a time during the permitted period if at that time that rate is greater than the rate of the pension.

(3) In paragraph (2)—

- (a) “the permitted period” means the period beginning with the day on which the member reaches the age of 60 and ending with the day on which the member reaches the age of 65 or, if later, reaches pensionable age,
- (b) “the relevant state retirement pension rate” at any time is 200% of the full rate of the state pension at that time.

(4) In paragraph (3) “the full rate of the state pension” has the meaning given in section 3(1) of the Pensions Act 2014(a).

*Edward Troup*

*Nick Lodge*

17th October 2016

Two of the Commissioners for Her Majesty’s Revenue and Customs

#### **EXPLANATORY NOTE**

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

Part 4 of the Finance Act 2004 (“the Act”) makes provision in respect of registered pension schemes. In order to be authorised a scheme pension may only be reduced in certain specified circumstances. One of those circumstances is where the reduction is based on the state pension coming into payment, known as a “bridging pension”.

Regulation 2 of these Regulations provides for the coming into force of section 20(2) to (5) of the Finance Act 2016. Section 20 removes the existing provision relating to bridging pensions.

Regulations 3 and 4 of these Regulations prescribe the circumstances in which the rate of the scheme pension may reduce and makes provision for bridging pensions to continue to be paid without affecting the nature of the ongoing instalments of scheme pension as authorised payments for tax purposes.

Regulation 3 specifies when a reduction is a prescribed circumstance where an individual reached pensionable age on or before 5 April 2016.

Regulation 4 specifies when a reduction is a prescribed circumstance where an individual reached pensionable age on or after 6 April 2016.

Regulation 2 appoints 6 April 2016 as the date for the coming into force of section 20(2) to (5) of the Finance Act 2016 and regulation 3 and 4 apply to those who reach pensionable age on or before 5 April 2016 or on or after 6 April 2016 respectively. Paragraph 2(8) of Schedule 28 to the Act, as modified by section 20(6) of the Finance Act 2016, provides that Regulations made under paragraph 2(4)(h) and (8) may include provision having effect in relation to times before the Regulations are made and that such amendments may be given effect in relation to times not earlier than 6 April 2016.

A Tax Information and Impact Note covering this instrument was published on 9 December 2015 alongside draft legislation for the Finance Bill 2016, and is available on the HMRC website at

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(a) 2014 c.19.

<https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins>. It remains an accurate summary of the impacts that apply to this instrument.

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