

SCHEDULES

SCHEDULE 7

PERSONAL PENSION SCHEMES

PART I

AMENDMENTS OF TAXES ACT

- 1 Chapter IV of Part XIV of the Taxes Act 1988 (personal pension schemes) shall be amended as mentioned in the following provisions of this Part of this Schedule.
- 2 (1) Section 635 (lump sum to member) shall be amended as follows.
- (2) The following subsection shall be substituted for subsection (3) (lump sum not to exceed one quarter of value of benefits for member)—
- “(3) The lump sum must not exceed one quarter of the difference between—
- (a) the total value, at the time when the lump sum is paid, of the benefits provided for by the arrangements made by the member in accordance with the scheme, and
- (b) the value, at that time, of such of the member’s rights under the scheme as are protected rights for the purposes of the Social Security Act 1986 or the Social Security (Northern Ireland) Order 1986.”
- (3) Subsection (4) (lump sum not to exceed £150,000 or sum specified by Treasury by order) shall cease to have effect.
- (4) This paragraph shall have effect in relation to the approval of a scheme on or after the day on which this Act is passed; but if the scheme came into existence before that day sub-paragraph (2) above shall not have effect as regards arrangements made by a member in accordance with the scheme before that day.
- 3 (1) In section 640 (maximum amount of deductions) the following table shall be substituted for the table in subsection (2) (maximum amount by reference to age)—
- | | |
|------------|--------------|
| 36 to 45 | 20 per cent. |
| 46 to 50 | 25 per cent. |
| 51 to 55 | 30 per cent. |
| 56 to 60 | 35 per cent. |
| 61 or more | 40 per cent. |
- (2) This paragraph shall have effect for the year 1989-90 and subsequent years of assessment.
- 4 (1) The following section shall be inserted after section 640—

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“640A Earnings cap

- (1) In arriving at an individual’s net relevant earnings for a year of assessment for the purposes of section 640 above, any excess of what would be his net relevant earnings for the year (apart from this subsection) over the allowable maximum for the year shall be disregarded.
 - (2) In subsection (1) above “the allowable maximum” means, as regards a particular year of assessment, the figure found for that year by virtue of subsections (3) and (4) below.
 - (3) For the year of assessment 1989-90 the figure is £60,000.
 - (4) For the year of assessment 1990-91 and any subsequent year of assessment the figure is the figure found for that year, for the purposes of section 590C, by virtue of section 590C(4) and (5).”
- (2) This paragraph shall have effect for the year 1989-90 and subsequent years of assessment.
- 5 (1) Section 644 (meaning of relevant earnings) shall be amended as follows.
- (2) In subsection (2) for “(5)” there shall be substituted “(6F)”.
 - (3) The following subsections shall be inserted after subsection (6)—
 - “(6A) Emoluments of an individual as an employee of a company are not income within subsection (2) above if—
 - (a) he is a controlling director of the company at any time in the year of assessment in question or has been a controlling director of the company at any time in the ten years immediately preceding that year of assessment, and
 - (b) any of subsections (6B) to (6E) below applies in his case.
 - (6B) This subsection applies in the case of the individual if—
 - (a) at any time in the year of assessment in question he is in receipt of benefits under a relevant superannuation scheme, and
 - (b) the benefits are payable in respect of past service with the company.
 - (6C) This subsection applies in the case of the individual if—
 - (a) at any time in the year of assessment in question he is in receipt of benefits under a personal pension scheme,
 - (b) the scheme has received a transfer payment relating to him from a relevant superannuation scheme, and
 - (c) the transfer payment is in respect of past service with the company.
 - (6D) This subsection applies in the case of the individual if—
 - (a) at any time in the year of assessment in question he is in receipt of benefits under a relevant superannuation scheme,
 - (b) the benefits are payable in respect of past service with another company,
 - (c) the emoluments are for a period during which the company mentioned in subsection (6A) above has carried on a trade or business previously carried on by the other company, and

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- (d) the other company carried on the trade or business at any time during the period of service in respect of which the benefits are payable.

(6E) This subsection applies in the case of the individual if—

- (a) at any time in the year of assessment in question he is in receipt of benefits under a personal pension scheme,
- (b) the scheme has received a transfer payment relating to him from a relevant superannuation scheme,
- (c) the transfer payment is in respect of past service with another company,
- (d) the emoluments are for a period during which the company mentioned in subsection (6A) above has carried on a trade or business previously carried on by the other company, and
- (e) the other company carried on the trade or business at any time during the period of service in respect of which the transfer payment was made.

(6F) For the purposes of subsections (6A) to (6E) above—

- (a) a person is a controlling director of a company if he is a director (as defined by section 612(1)), and he is within paragraph (b) of section 417(5), in relation to the company;
- (b) “relevant superannuation scheme” has the same meaning as in section 645(1);
- (c) references to benefits payable in respect of past service with a company include references to benefits payable partly in respect of past service with the company; and
- (d) references to a transfer payment in respect of past service with a company include references to a transfer payment partly in respect of past service with the company.”

(4) This paragraph shall be deemed to have come into force on 6th April 1989.

- 6 (1) Section 645 (earnings from pensionable employment) shall be amended as follows.
- (2) In subsection (1)(c) for the words “neither subsection (4) nor subsection (5) below applies” there shall be substituted the words “subsection (4) below does not apply”.
 - (3) In subsection (3) the word “and” following paragraph (a) shall be omitted and after paragraph (b) there shall be inserted “and
 - (c) which is of a description mentioned in section 596(1)(a), (b) or (c).”

(4) After subsection (4) there shall be inserted—

“(4A) Where the emoluments from an office or employment held by an individual are foreign emoluments within the meaning of section 192, this section shall have effect with the substitution of the following for paragraph (c) of subsection (3) above—

“(c) which corresponds to a scheme of a description mentioned in section 596(1)(a), (b) or (c).””

(5) Subsection (5) shall cease to have effect.

(6) This paragraph shall be deemed to have come into force on 6th April 1989.

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- 7 (1) In section 646 (“net relevant earnings”) in subsection (1) after the words “(7) below” there shall be inserted the words “and section 646A”.
- (2) This paragraph shall have effect for the year 1989-90 and subsequent years of assessment.
- 8 (1) The following section shall be inserted after section 646—

“646A Earnings from associated employments

- (1) This section applies where in the year of assessment in question—
- (a) an individual holds two or more offices or employments which are associated in that year,
 - (b) one or more of them is an office or employment to which section 645 applies (“pensionable job”), and
 - (c) one or more of them is an office or employment to which that section does not apply (“non-pensionable job”).
- (2) Where the emoluments for that year from the pensionable job (or jobs) are equal to or exceed the allowable maximum for that year, section 646(1) shall have effect in the case of the individual as if the references to relevant earnings were references to relevant earnings not attributable to the non-pensionable job (or jobs).
- (3) Where the allowable maximum for that year exceeds the emoluments for that year from the pensionable job (or jobs), the individual’s net relevant earnings, so far as attributable to the non-pensionable job (or jobs), shall not be greater than the amount of the excess.
- (4) For the purposes of this section two or more offices or employments held by an individual in a year of assessment are associated in that year if the employers in question are associated at any time during it.
- (5) For the purposes of subsection (4) above, employers are associated if (directly or indirectly) one is controlled by the other or if both are controlled by a third person.
- (6) In subsection (5) above the reference to control, in relation to a body corporate, shall be construed—
- (a) where the body corporate is a close company, in accordance with section 416, and
 - (b) where it is not, in accordance with section 840.
- (7) In this section “the allowable maximum” has the same meaning as in section 640A(1).”
- (2) This paragraph shall have effect for the year 1989-90 and subsequent years of assessment.
- 9 In section 655(5) (provisional approval in the case of applications made before 1st February 1990) the words “in cases where the applications are made before 1st February 1990” shall be omitted.