
EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations have two principal effects. The first is to supplement the tax rules in Schedule 29A of the Finance Act 2004 (inserted by Schedule 21 to the Finance Act 2006) for determining the total taxable amount when an investment-regulated pension scheme acquires a direct or indirect interest in taxable property (that is, residential property or tangible moveable property). The second is to make a member of a registered pension scheme which is established outside the United Kingdom, and holds an interest in taxable property located outside the United Kingdom, liable to pay the scheme sanction charge in respect of income and gains from that property.

Regulation 1 provides for citation, commencement and effect. The power to make the retrospective provision made by Regulation 1(2) is conferred by section 273ZA(6)(b) of, and paragraphs 36(4)(b) and 37(2)(b) of Schedule 29A (“Schedule 29A”) to, the Finance Act 2004.

Regulation 2 provides for interpretation.

Regulation 3 applies the valuation provisions in paragraphs 33 and 34 of Schedule 29A to land outside the United Kingdom. Regulation 4 modifies the taxable property provisions for licences to use residential property and timeshares, at a rent by treating each payment of rent as an acquisition of an interest in taxable property. Regulations 5 and 6 apply valuation provisions to tangible moveable property, licences to use residential property and timeshare arrangements.

Regulation 7 applies valuation provisions for leases that continue after a fixed term and leases for an indefinite term, with modifications where an original fixed term is extended. Regulation 8 applies the valuation provisions in paragraph 8 of Schedule 17A to the Finance Act 2003 (leases for uncertain or variable rent: adjustment when rent ceases to be uncertain) with modifications.

Regulation 9 provides that an unauthorised payment is to be treated as made to a member of an investment-regulated pension scheme where a lease of taxable property is varied to increase the rent by an abnormal amount.

Regulation 10 makes a member of a registered pension scheme which is established outside the United Kingdom, and holds an interest in taxable property located outside the United Kingdom, liable to pay the scheme sanction charge in respect of income and gains from that property.

The Board of Inland Revenue published a regulatory impact assessment covering the provisions of Part 4 of the Finance Act 2004, and subordinate legislation under it, on 8th April 2004. That assessment, and an Appendix covering later legislative changes, are available on the Revenue and Customs website at www.hmrc.gov.uk/ria/simplifying-pensions.pdf.