
STATUTORY INSTRUMENTS

2006 No. 1963

INCOME TAX

The Taxation of Pension Schemes (Consequential Amendments) (No. 2) Order 2006

<i>Made</i>	- - - -	<i>20th July 2006</i>
<i>Laid before the House of Commons</i>	- - - -	<i>21st July 2006</i>
<i>Coming into force</i>	- -	<i>11th August 2006</i>

The Treasury make the following Order in exercise of the powers conferred upon them by section 281(2) and (4) of the Finance Act 2004⁽¹⁾:

Citation, commencement and effect

1.—(1) This Order may be cited as the Taxation of Pension Schemes (Consequential Amendments) (No. 2) Order 2006 and shall come into force on 11th August 2006.

(2) Article 2 of this Order has effect in relation to any time on or after 6th April 2006.

Consequential amendment of section 408 of the Income Tax (Earnings and Pensions) Act 2003

2.—(1) Section 408(1) of the Income Tax (Earnings and Pensions) Act 2003⁽²⁾ is amended as follows.

(2) After “registered pension scheme” insert “or an employer-financed retirement benefit scheme”.

Consequential amendment to section 128 of the Finance Act 1995

3.—(1) Section 128 (limit of income chargeable on non-residents: income tax) of the Finance Act 1995 is amended as follows.

(2) In subsection (3)(cc) after the words “section 577” omit “or 605” and omit “and retirement annuity contracts”.

(3) After subsection (3)(cc) insert—

(1) 2004 c. 12. Subsection (4) was added by paragraph 32A of Schedule 23 to the Finance Act 2006 (c. 25).
(2) 2003 c. 1. Section 408(1) was amended by paragraph 63(1) and (2) of the Finance Act 2004.

- “(cca) it is chargeable to tax under chapter 5A, Part 9 of ITEPA 2003(3) because it is a pension under a registered pension scheme where that scheme—
- (i) falls within paragraph 1(1)(f) of Schedule 36 of the Finance Act 2004, and
 - (ii) was, immediately before 6th April 2006, a retirement annuity contract to which section 605 of ITEPA 2003(4) applied;”.

Consequential amendment to section 336 of the Income and Corporation Taxes Act 1988

4.—(1) Section 336(5) (temporary residents in the United Kingdom) of the Income and Corporation Taxes Act 1988 is amended as follows.

(2) In subsection (1A) (b) (ia) omit the words “an annuity contract that is” and after the words “registered pension scheme” insert “that fell within paragraph 1(1)(f) of Schedule 36 to the Finance Act 2004”.

Dave Watts

Frank Roy

Two of the Lords Commissioners of Her
Majesty’s Treasury

20th July 2006

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- (3) Chapter 5A was inserted by section 204 and paragraphs 1 and 6 of Schedule 31 to the Finance Act 2004 with effect from 6th April 2006
- (4) Section 605 was repealed by section 204 and paragraph 7 of Schedule 31 to the Finance Act 2004 subject to the transitional saving in paragraph 43 of Schedule 36. Paragraph 43 is repealed on 6th April 2007 under paragraph 64 of Schedule 10 to the Finance Act 2005 (c. 7).
- (5) Subsection 336 (1A) was inserted by section 722 of the Income Tax (Earnings and Pensions) Act 2003 c. 1 with effect for the tax year 2003 – 2004 and subsequent years of assessment. Subsection (1A) was further amended by section 281 and paragraphs 2 and 13 of Schedule 35 to the Finance Act 2004 (c. 12) with effect from 6th April 2006. There are other amendments which are not relevant for the purposes of this Order.

EXPLANATORY NOTE

(This note is not part of the Order)

This Order provides consequential amendments to section 408 of the Income Tax (Earnings and Pensions) Act 2003, section 128 of the Finance Act 1995 and section 336 of the Income and Corporation Taxes Act 1988.

Article 1 provides for citation and commencement.

Article 2 provides that section 408(1) of the Income Tax (Earnings and Pensions) Act 2003 shall be amended to insert a reference to an employer-financed retirement benefit scheme

Article 3 provides that section 128 of the Finance Act 1995 shall be amended to remove the references to section 605 of the Income Tax (Earnings and Pensions Act) 2003 and replacing that reference with one to annuity contracts to which section 605 applied before 6 April 2006 and which fall within paragraph 1(1)(f) of Schedule 36 to the Finance Act 2004 (“the 2004 Act”). Section 605 was repealed by paragraphs 1 and 7 of Schedule 31 to the 2004 Act but continues to have effect until 5 April 2007.

Article 4 removes a reference to annuity contracts in section 336 of the Income and Corporation Taxes Act 1988 (c. 1) and replaces it with a reference to annuities made under registered pension schemes which fall within paragraph 1(1)(f) of Schedule 36. The consequential amendment made by paragraph 13 of Schedule 35 to the 2004 Act excluded annuities under a trust scheme or substituted contract and extended the provision to other annuity contracts.

This Order does not impose any new costs on business.