

Explanatory Note

Clause 13: Pensions bridging between retirement and state pensions

Summary

1. This measure removes existing legislation at paragraph 2(4)(c) of Schedule 28 of the Finance Act 2004 regarding bridging pensions. In place of this provision, regulations will be made under paragraph 2(4)(h) of Schedule 28 in connection with bridging pensions to align pensions tax legislation with the Pensions Act 2014 and allow the payment of bridging pensions to continue as set out in current legislation.

Details of the clause

2. Subsection 1 provides that the clause amends paragraph 2 of Schedule 28 of the Finance Act 2004.
3. Subsection 2 omits sub-paragraph (4)(c) which sets out the current circumstances in which a scheme pension may be reduced when a bridging pension ceases to be paid.
4. Subsections 3 to 5 are consequential amendments to the omission of sub-paragraph (4)(c).
5. Subsection 6 provides for the amendments made by subsections 2 to 5 to be commenced by regulations made under paragraph 2(4)(h) and that pursuant to paragraph 2(8), will have effect from 6 April 2016.

Background note

6. A pension from a registered pension scheme is not normally allowed to be reduced when in payment. There are some exceptions to this rule, one of which is where a bridging pension is being paid. A bridging pension describes a pension that is higher at the outset and then reduced when the individual reaches state pension age.
7. The Department for Work and Pensions introduced a single tier state pension from 6 April 2016. This measure supports the government's objective of promoting fairness in the tax system by ensuring that pension schemes can continue to pay a bridging pension up to a member's state pension age following the introduction of the single tier state pension.
8. HM Revenue & Customs will consult with industry representatives on the drafting of new regulations and to clarify the exact implications of the single tier state pension on the legislation relating to bridging pensions.
9. If you have any questions about this change, or comments on the legislation, please contact

Karen Bishop on 03000 562533 (email: pensions.policy@hmrc.gsi.gov.uk).