

# Investments under the New Simplified Regime

Take control of your pension



## The General Rules

The new simplified pension regime has one set of investment rules that apply to all registered pension schemes. The new rules will apply to all investments, even where these were made prior to 6 April 2006 except for those relating to pre A-Day loans or scheme borrowing and investments subject to the transitional provisions in respect of “taxable property”.

The new rules allow registered pension schemes to invest in all types of investment (subject to any relevant DWP, FSA or other general restrictions outside tax law). This includes residential property, although such an investment will almost certainly fall within the “taxable property” provisions and result in tax charges that will make the investment inappropriate.

It will generally be left to the trustees/scheme administrator to decide if an investment is appropriate. General trust law requires the trustees to act prudently, conscientiously and honestly when making decisions in respect of the scheme. Trustees should at all times act in the best interests of scheme members in their capacity as trustees and not as employees, shareholders etc. When deciding the scheme’s investment policy, the administrators/trustees will need to bear carefully in mind the need to have sufficient liquid funds to pay pension benefits.

There is no objection in principle to a registered pension scheme entering into transactions with a member or a person/company connected with a member. However, as indicated below, various tax charges are imposed where any investment transactions entered into by the scheme (involving assets or liabilities) with people connected to the scheme are not on arm’s length terms.

Any transaction between a registered pension scheme and

- the member or sponsoring employer of the scheme
- people connected with scheme members and or connected employers. For this purpose “connected” is as defined in section 839 of the Income and Corporation Taxes Act 1988
- a third party, which is directly or indirectly for the benefit of a scheme member or sponsoring employer of the scheme

which is not on arm’s length terms, will result in the excess value (i.e. over and above arm’s length terms) being taxed as an unauthorised payment.

For example, if a scheme sells an asset worth £1 million to a scheme member at a price of £600,000, there will be a value of £400,000 that has been passed to the member and which will be taxed as an unauthorised payment.

### For more information about L&C Pensions please contact:

L&C Pensions, 38 – 42 Perrymount Road, Haywards Heath, West Sussex RH16 3DN

**Tel: 0870 7566696 Fax: 0870 7566697 Email: [info@lcpensions.com](mailto:info@lcpensions.com) Web: [www.lcpensions.com](http://www.lcpensions.com)**