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## 1 Pensions: relief relating to net pay arrangements

In FA 2004, in Part 4 (pension schemes etc), in Chapter 4 (certain tax reliefs and exemptions), after section 193 (relief under net pay arrangements) insert—

### “193A Net pay arrangements: relief where no income tax liability

- (1) This section applies where—
  - (a) an individual is entitled to be given relief in accordance with section 193 in respect of the payment of a contribution under a pension scheme,
  - (b) the individual is entitled to a personal allowance, in accordance with section 35(1) of ITA 2007 (personal allowance), for the tax year in which the payment is made (“the relevant tax year”), and
  - (c) the amount of the individual’s employment income for the relevant tax year less the amount of the contribution does not exceed the personal allowance specified in section 35(1) of ITA 2007 for the relevant tax year.
- (2) The Commissioners for Her Majesty’s Revenue and Customs must make arrangements to secure that, so far as reasonably practicable, they pay to the individual the appropriate amount in relation to the contribution.
- (3) The appropriate amount is—
  - (a) where the individual’s employment income (including the contribution) for the relevant tax year does not exceed the personal allowance specified in section 35(1) of ITA 2007 for the relevant tax year, an amount equal to income tax at the relevant rate on the whole of the contribution, and
  - (b) where the individual’s employment income (including the contribution) for the relevant tax year does exceed the personal allowance specified in section 35(1) of ITA 2007 for the relevant tax year, an amount equal to income tax at the relevant rate on an amount calculated in accordance with this formula—

$$C - E$$

where—

C equals the whole of the contribution, and

E equals the amount by which the personal allowance is exceeded by the individual’s employment income (including the contribution) for the relevant tax year.

- (4) The arrangements must secure that an amount which the Commissioners are required to pay in relation to a contribution is paid as soon as reasonably practicable after the tax year in which the contribution is paid.
- (5) For the purposes of income tax, apart from determining whether this section applies or calculating the appropriate amount in accordance with subsection (3), an amount paid to an individual in accordance

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with the arrangements is to be treated as if it were earnings within Chapter 1 of Part 3 of ITEPA 2003 –

- (a) from an employment in the relevant tax year, and
  - (b) in respect of duties performed in the United Kingdom.
- (6) In subsection (3), “the relevant rate” is –
- (a) where the individual is a Scottish taxpayer for the relevant tax year, the Scottish basic rate for that year,
  - (b) where the individual is a Welsh taxpayer for the relevant tax year, the Welsh basic rate for that year, and
  - (c) in all other cases, the basic rate for that tax year.
- (7) The Treasury may by regulations amend or otherwise modify this section.
- (8) Regulations under subsection (7) may make different provision for different purposes.”