

Table 6 Cost of Pension Tax and NICs Relief

£ million

	2012-13 ^r	2013-14 ^r	2014-15 ^r	2015-16 ^r	2016-17 ^r	2017-18 ^p
Income tax relief on:-						
Occupational Scheme Contributions						
By Employees	3,800	4,000	4,100	4,100	4,000	4,200
By Employers	18,100	17,100	16,700	19,300	18,200	18,600
Personal Pension Scheme Contributions						
By Employees	1,800	1,900	1,900	2,000	1,800	1,600
By Employers	3,600	4,200	4,600	5,600	5,600	5,600
Contribution to pensions by self employed	600	600	600	600	500	500
Investment income of pension funds ¹	5,800	5,900	6,100	6,800	6,500	6,700
Pension tax relief	33,700	33,700	33,900	38,300	36,700	37,200
Less income tax liable on						
Payments from pension schemes ²	14,400	15,500	16,000	17,600	17,800	18,300
Pension tax relief (net of tax received on pension income)³	19,200	18,200	17,900	20,700	18,900	19,000
National Insurance Contributions (NICs) relief for employer pension contributions⁴ :-						
Employee NICs relief on employer pension contributions	4,300	4,200	4,300	4,800	4,800	5,300
Employer NICs relief on employer pension contributions	9,500	9,400	9,500	11,000	10,700	11,200
Pension NICs relief	13,900	13,600	13,800	15,900	15,500	16,500
Pension tax and NICs relief (net of tax received on pension income)⁵	33,100	31,800	31,700	36,600	34,400	35,400

p = mixture of provisional outturns and projections; r = revised

Updated September 2019

Footnotes

- The cost is in respect of the investment income of both occupational and personal pensions schemes assuming relief at the basic rate of tax. Estimates of relief for capital gains realised by pension funds are not included because of estimation difficulties.
- Based on administrative data HMRC holds on taxable pension payments. Reflects tax paid on pension payments made that year, not the tax that might eventually be received on future pension payments made out of contributions made in the year. Future tax receipts on pensions paid to individuals currently making contributions to funds may be higher than those currently receiving pensions because of earnings growth and an increase in the average number of working years of membership in pension schemes. Also the ratio of pensioners to contributors may be expected to increase significantly which would tend to reduce the cost in net present value terms.
- Net pension tax relief reflects the net cost of tax relief on pension contributions and any investment growth within pensions, less the tax paid on payments from pension schemes to those accessing their pensions that year.
- This is a combination of National Insurance relief for employers on the pension contributions they make as well as the saving for individuals from the employers contributions not being treated as part of their gross income and subject to employee National Insurance contributions (in accordance with how individuals' own pension contributions are treated). NICs relief is not provided to individual contributions (employees/self-employed) to pension schemes. NICs are not paid on any payments from pension schemes.
- Net pension tax and NICs relief reflects the overall net cost of pensions, and is the sum of the line for net pension tax relief and the line for total pension NICs relief.

Notes on the Table

- The figures are based on HMRC administrative data and information compiled from a variety of sources by the Office for National Statistics (ONS). Costs are subject to large revisions and have a particularly wide margin of error.
- The cost of the tax relief is calculated as the tax that would be paid on contributions to registered pension schemes presuming they were not registered and the payments were subject to the normal tax rules applying to individuals' remuneration. The estimates do not represent the yield from withdrawing tax relief as there would be significant changes in taxpayers' behaviour.
- Figures for tax liabilities on pensions in payment are now calculated using administrative taxpayer data on RTI payments made by pension schemes. As such there are substantial revisions to these figures to reflect a more accurate estimate of the amount of taxable pension income received each year.
- Personal Pensions include Group Personal Pensions (arranged through an employer) and Stakeholder pensions; and Free Standing Additional Voluntary Contributions up to and including 2006-07. A small number of non-working individuals (e.g. children) make contributions to personal pensions and the value of these contributions are included within in the employee contribution category.
- The column totals may not equal the calculation from the individual components due to rounding.
- Some of the series in this table have seen revisions since publication last year. This is a combination of revisions to the base data provided by ONS and changes to estimates derived from the HMRC Personal Taxes Model.