

Written Ministerial Statement

Employer asset-backed pension contributions

The Financial Secretary to the Treasury (Mark Hoban): On 29 November 2011, the Government published draft Finance Bill 2012 legislation to change the tax rules in relation to employer asset-backed pension contributions, with effect from the date of announcement. These changes were designed to ensure that unintended, excess tax relief could not arise in respect of such contributions, while preserving as much flexibility for employers and pension schemes as possible.

To protect against tax risks, the Government is today publishing further legislation having immediate effect which will be included in Finance Bill 2012. Its aim is to limit the circumstances in which upfront relief can be given to asset-backed arrangements in line with the original policy aim and the intended effects of the November legislation.

The changes announced on 29 November were intended to provide that upfront relief to an employer would not be given where the total payments to be made under an asset-backed arrangement would vary according to the future funding position of the pension scheme. The Government has since found that there are ways in which these arrangements could be structured to gain upfront relief even though the payments will vary. So the legislation announced today is intended to deny upfront relief unless the whole total of all asset-backed payments to the pension scheme are to be of fixed amounts.

The draft legislation and Tax Information and Impact Note will be published today on the websites of Her Majesty's Revenue & Customs and the Treasury.

HM Treasury

22 February 2012