

EXPLANATORY NOTE

CLAUSE 48 SCHEDULE 13: EMPLOYER ASSET-BACKED PENSION CONTRIBUTIONS

AMENDMENTS X-Y

SUMMARY

1. The amendments to Schedule 13 to the Finance Bill have two effects. For those asset-backed contribution arrangements where the contribution was paid before 22 February 2012, amendment X extends the time allowed for the first payment or determination made to the registered pension scheme to 18 months (from one year) after the day on which the advance was paid. This in turn means that the transitional rules in Part 4 of the Schedule will not apply unless the first payment was made more than 18 months after the contribution was paid.
2. The other amendments clarify that pensions tax relief can be given upfront if regular payments (including the first payment) to the registered pension scheme are due at intervals of no more than one year to the next working day. In consequence of that change, the transitional rules in Part 4 will not apply in relation to arrangements with the contribution made before 22 February 2012 where these payments are made on the first possible working day after 12 months.

DETAILS OF THE AMENDMENTS

3. The amendments make changes to new sections 196C(4), 196E(4) and 196G(4) in Part 3 of draft Schedule 13 to clarify that upfront relief can be given if regular payments or determinations are made on the first possible working day after 12 months and this flexibility also applies to the first payment/determination where they are made one year to the next working day after the contribution is paid. They have effects on arrangements with contributions made before or after 22 February 2012. There are also changes to paragraph 18 in Part 4 to extend the one year interval to 18 months for the first payment that was made under certain arrangement that had its contribution made before 22 February 2012.

BACKGROUND NOTE

4. The new legislation on employer asset-backed pension contributions ensures that employers making these contributions can no longer benefit from unintended, excess tax relief.

- 5.** It has come to HMRC's attention that some pre-existing arrangements where the contribution was paid before 22 February 2012, may be affected in unintended ways by the transitional provisions in Part 4. The amendments remove these unintended consequences to ensure that the relief given to the employer under such an arrangement accurately reflects, but does not exceed, payments made to the registered pension scheme.
- 6.** The amendments also clarify that payments or determinations (including the first payment/determination) made on the first working day following the end of the 12 month period will not prevent any arrangement with the contribution paid on or after 22 February 2012 from gaining upfront relief provided that the arrangement meets all the other qualifying conditions set out in the new legislation.

Draft 13 May 2012

PUBLIC BILL COMMITTEE

FINANCE BILL

David Gauke

Schedule 13, page 330, line 33, leave out from ‘year’ to end of line 35 and insert
‘(but allowing for payments otherwise due to arise on a non-working day to arise on the
next working day),’.

1

David Gauke

Schedule 13, page 330, line 49, at end insert—

‘(4A) For the purposes of subsection (4)(b) the first payment is to arise no later
than one year after the day on which the advance is paid.’.

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David Gauke

Schedule 13, page 333, line 22, leave out from ‘year’ to end of line 24 and insert
‘(but allowing for determinations otherwise due to be made on a non-working day to be
made on the next working day),’.

3

David Gauke

Schedule 13, page 333, line 40, at end insert—

‘(4A) For the purposes of subsection (4)(c) the first determination is to be
made no later than one year after the day on which the advance is paid.’.

4

David Gauke

Schedule 13, page 336, line 11, leave out from ‘year’ to end of line 13 and insert
‘(but allowing for determinations otherwise due to be made on a non-working day to be
made on the next working day),’.

5

David Gauke

Schedule 13, page 336, line 29, at end insert—

‘(4A) For the purposes of subsection (4)(c) the first determination is to be
made no later than one year after the day on which the advance is paid.’.

6

David Gauke

Schedule 13, page 342, line 17, at end insert—

‘(3) For the purposes of sub-paragraph (1)(d) in sections 196C(4A), 196E(4A) and
196G(4A) the reference to one year is to be read as a reference to 18 months.’.

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