Written Ministerial Statement

Employer asset-backed pension contributions

The Financial Secretary to the Treasury (Mark Hoban): The Government announced at Budget 2011 that it would consult on changing the tax rules in relation to employer asset-backed contributions to registered pension schemes. These contributions involve an employer making a series of payments guaranteed with security over the assets from which the payments derive. The joint HM Revenue & Customs (HMRC) and HM Treasury consultation took place between May and August, and sought views on options to ensure that excessive tax relief would not arise from the way in which some of these pension contributions were structured.

Following the consultation, the Government has today published legislation that will be introduced in Finance Bill 2012 to change the tax rules for giving relief to employers in relation to asset-backed pension contribution arrangements.

The Government is keen to continue to allow the use of asset-backed contributions, given the flexibility they can offer to employers and their pension schemes in managing pension deficits, while protecting the Exchequer from tax risks.

The changes announced will therefore ensure that the amount of tax relief received by an employer making these contributions accurately reflects, but does not exceed, the amount of payments received by the pension scheme. This means that employers will not gain unintended, excessive tax relief.

Because of a significant risk to tax revenue, this legislation will have effect from 29 November 2011.

The Government's response to the consultation has been published alongside the legislation and Tax Information and Impact Note. These are available from the Budget 2011 pages of the HMRC website and the Finance Bill 2012 pages of the HM Treasury website.

HM Treasury

29 November 2011