

## Amendments 11 and 12 to Clause 8 Schedule 2: Optional Remuneration Arrangements

### Summary

1. These amendments (11 and 12) amend paragraph 49 of Schedule 2 of the Finance (No. 2) Bill 2017. Schedule 2 exempts pensions from the Optional Remuneration Arrangement reform. Pensions are exempted by sections 308 and 308A of the Income Tax (Earnings and Pensions) Act 2003. These amendments ensure that retirement benefits, which are exempted by s307 of ITEPA 2003, remain unaffected by the reform.

### Details of the Amendment

2. These amendments amend paragraph 49 of schedule 2 of the Finance Bill (No 2) 2017 by inserting new subsection (5) (e) into new section 228A. This adds section 307 to the list of excluded exemptions so that the exemption under that section continues to apply to the provision of retirement benefits when provided under optional remuneration arrangements. The amendments do not extend to the provision of death benefits.

### Background note

3. The use of salary sacrifice arrangements in the provision of benefits in kind allows some employees to pay less income tax and NICs in comparison to what they would have paid if remunerated entirely in cash.
4. To address this unfairness, the government intends to limit the income tax and NICs advantages. For those benefits which are subject to either a full or a limited exemption, the exemption is disapplied if the benefit is provided in conjunction with a salary sacrifice arrangement.
5. For certain key policy areas such as pensions provision, childcare, ultra low emission cars and the provision of cycles and cyclists' safety equipment, which the government wishes to continue supporting but which could fail without the use of salary sacrifice arrangements, the government has agreed to continue allowing the use of salary sacrifice arrangements without limiting the effect on tax and NICs savings.
6. Most employer pension provision is subject to the exemptions in sections 308 and 308A, covering registered pension schemes and qualifying overseas pension schemes respectively. These sections are already treated as excluded exemptions by new

section 228A. These specific amendments are to ensure employer pension provision through retirement benefit schemes not covered by sections 308 and 308A, in particular certain types of overseas pension schemes, also remains exempt when provided as part of Optional Remuneration Arrangements.