

2007 Pre-Budget Report and Comprehensive Spending Review



PBRN 13

9 October 2007

SPREADING OF TAX RELIEF FOR PENSION CONTRIBUTIONS

Who is likely to be affected?

1. Employers making large payments that transfer their obligations to meet registered pension scheme liabilities to another person.

General description of the measure

2. Legislation will be introduced in Finance Bill 2008 to ensure that the rules that spread tax relief for large employer pension contributions relative to their contribution in the previous year cannot be circumvented.

Operative date

3. This measure will have effect for payments made on or after 10 October 2007 under binding obligations entered into on or after 9 October 2007.

Current law and proposed revisions

4. Employers generally get relief against their taxable profits for contributions paid to a registered pension scheme. Relief is given for the chargeable period in which the contributions are paid.
5. Some large contributions are spread over a period of up to 4 years. This spreading applies where the contribution:
 - is more than 210 per cent of the contribution paid in the previous chargeable period; and
 - exceeds 110 per cent of the contribution paid in that previous period by at least £500,000.
6. The measure will ensure that the spreading of contributions cannot be avoided by routing them through a new company. Draft legislation to achieve this has been published today on the HM Revenue & Customs website.

Further advice

7. If you have any questions about this measure, please contact the Pensions Helpline on 0115 974 1600. Information about Pre-Budget Report measures is available on the HM Revenue & Customs website at www.hmrc.gov.uk