

1 Pension scheme under section 67 of Pensions Act 2008

- (1) A pension scheme established under section 67 of the Pensions Act 2008 is to be regarded as an occupational pension scheme for the purposes of Part 4 of FA 2004.
- (2) In section 67 of the Pensions Act 2008 (duty to establish pension scheme) –
 - (a) omit subsection (3), and
 - (b) in subsection (4), for “that Chapter” substitute “Chapter 2 of Part 4 of the Finance Act 2004”.

DRAFT EXPLANATORY NOTE

PENSION SCHEME UNDER SECTION 67 OF PENSIONS ACT 2008

SUMMARY

1. This clause ensures that the National Employment Savings Trust (NEST) can come within the existing tax regime for registered pension schemes. NEST is a new pension scheme that is to be established by the Secretary of State for Work and Pensions under section 67 of the Pensions Act 2008¹. The changes will have effect from the date that the Finance (No. 2) Bill 2010 receives Royal Assent.

DETAILS OF THE CLAUSE

2. Subsection (1) provides that the scheme to be set up under section 67 of the Pensions Act 2008, currently NEST, will be an occupational pension scheme for the purposes of Part 4 of the Finance Act 2004². This means that an application can then be made to HM Revenue and Customs (HMRC) for the scheme to be registered for tax purposes.
3. Subsection (2) removes the provision in section 67 that states that NEST must be able to be tax registered as it is not needed.

BACKGROUND NOTE

4. NEST is currently timetabled to be launched in April 2011, subject to the outcome of a review. NEST will be a pension scheme aimed at employees who do not have access to a qualifying workplace pension.
5. Section 67 of the Pensions Act 2008 requires the scheme administrator to register the scheme with HMRC. Contributions to pension schemes that are registered for tax purposes attract tax relief and so this measure will ensure any individual and employer contributions to NEST also receive the appropriate tax relief.
6. Under the existing tax rules the scheme administrator would not be able to make an application to register NEST.
7. These changes ensure that the scheme can be registered and treated in a similar way to other occupational registered pension schemes.

¹ Finance Act 2004 (chapter 30).

² Pensions Act 2008 (chapter 12).

8. If you have any questions about this change or comments on the legislation, please contact Beverley Davies on 020 7147 2869 (email: beverley.davies@hmrc.gsi.gov.uk) or Peter Seedhouse on 020 7147 2529 (email: peter.seedhouse@hmrc.gsi.gov.uk).