# National Insurance Contributions (Employer Pensions Contributions) Bill

**Employment Tax**

29 January 2026

The CIOT submitted a briefing to Parliament on the proposed restriction on National Insurance relief for salary sacrifice pension contributions ahead of the Bill's second reading in the House of Commons in December.

The Bill creates a power for HM Treasury to apply a primary and secondary Class 1 National Insurance contributions charge where employer pension contributions are made via salary sacrifice arrangements that exceed £2,000 per annum, with effect from 6 April 2029.

The CIOT's briefing explained that limiting pensions salary sacrifice will affect basic rate taxpayers more, pound for pound, than higher and additional rate taxpayers, while also noting that the sums involved are likely to be larger overall for higher earners.

While welcoming the fact that the government is now legislating for a change that will take effect in 2029, as it will provide more certainty, we were concerned that many of the practical details on how this change will operate have not yet been confirmed. There are significant practical issues with how the annual £2,000 limit should be applied to weekly and monthly-paid employees, and to employees with multiple employments in the tax year. For example, if there is a single annual cap, the requirement to coordinate across multiple concurrent and/or consecutive employments will be administratively challenging, as well as creating concerns over financial privacy.

We also noted that the change will bring into focus the scope of the optional remuneration arrangements legislation, and the need for a clearer understanding of which pay arrangements fall within scope of these rules. We gave examples including collective bargaining arrangements, directors’ and executives’ remuneration awards, bonus waivers, new employees negotiating remuneration packages, and termination packages.

We considered it imperative that there is early consultation on how this change will work in practice, with full guidance on how to implement and operate the cap on relief being published no later than April 2028, as decisions on pension salary sacrifice tend to be long term.

We also explained that the change could cause some employers to withdraw pensions salary sacrifice as an option, and that the long-term impact on provision for retirement more generally should be carefully considered.

The Bill passed its Second Reading in the House of Commons in December 2025. During the debate, the Parliamentary Secretary to the Treasury, Torsten Bell MP, described the Bill as ‘short and simple’. He argued that reform was unavoidable given the rapid growth in the cost of the relief, adding that the government had opted for a cap rather than abolition, a choice he characterised as ‘pragmatic’ and ‘balanced’. Opposition MPs warned that behavioural change would undermine the projected revenue, that the change could mean ‘long-term pain for the taxpayer’ if fewer people were able to support themselves in old age, and that the change would ‘land businesses with yet more administrative costs’.

A full summary of the debate is available here: tinyurl.com/4ra6eybm

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