National Insurance Bill: CIOT-drafted amendment passes in Lords

Briefings

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Cross-party support for changes to salary sacrifice cap legislation.

An amendment drafted by CIOT for Conservative peer Lord Leigh of Hurley, a chartered tax adviser, passed in a vote in the House of Lords on the National Insurance Contributions (Employer Pensions Contributions) Bill on 5 March. This is the Bill capping NIC relief on pension salary sacrifice arrangements at £2,000 a year. Lord Leigh's amendment would exempt salary sacrifice pension contributions over the £2,000 limit from being included in student loan repayments definitions. It was one of five government defeats on the Bill in the Lords, highlighting ongoing concerns about fairness and unintended financial consequences for affected graduates.

Proposing it, Lord Leigh explained that one benefit of pension salary sacrifice can be to reduce earnings liable to NIC for student loan repayment purposes. This is

because the liability to repay student loans is, for employees, based on their earnings liable to NIC. He said that if salary sacrifice pension contributions above the cap are treated as earnings for NIC purposes, it ‘will mean higher effective repayments for some borrowers, reduced disposable income and a further distortion of incentives around pension savings’.

Other peers speaking in favour of the amendment included Conservative shadow minister Baroness Neville-Rolfe, Lib Dem spokesperson Baroness Kramer and non-affiliated peer Baroness Altmann. It passed by 208 votes to 142.

During the same debate, the minister confirmed that the £2,000 cap will apply to each employment that an individual undertakes. That announcement was made in response to amendments by Lord Leigh (again drafted in conjunction with CIOT) and by another CTA, Lord Mackinlay of Richborough, which had sought to amend the Bill on this issue.

It is likely that the government will use their large majority to reverse the Lords amendments when the Bill returns to the Commons on 23 March. That will send the Bill back to the upper House to see whether the Lords insist upon their amendments.