Gov't looking to tackle AE tax relief anomaly

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By **Jack Gilbert**
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Workers in net-pay pension arrangements who earn less than £11,850 per year do not automatically receive tax relief on pension contributions at the basic rate. However workers in relief at source arrangements on less than £11,850 do receive tax relief at the basic rate of 20% for pension contributions.

This difference is because relief at source arrangements see pension contributions deducted from a member's net salary after tax whereas net-pay sees pension contributions taken from gross salary before tax and tax relief can be calculated.

This anomaly has prompted campaigners to push the government to change the system so those in net-pay arrangements, estimated at 1.2 million people, will receive their government top-up.

Earlier this month former pensions ministers Steve Webb, now director of policy at Royal London, and peer Ros Altmann were among the signatures of a letter to the chancellor Philip Hammond which urged him to tackle the problem.

Now in a statement sent to the *Financial Times*, the government has indicated it is looking at ways to address this issue.

The Treasury is 'looking at the opportunities provided by the move to a modern digital tax system to tackle any differences of treatment in provision of tax relief for pensions', the statement said.

The news comes just weeks away from the Autumn Budget on 29 October.