

LATEST NEWS

Redington urges RPI/CPIH alignment at 'latest proposed time'



1 in 6 working people in the UK has a workplace pension with us

Discover

Three quarters of savers caught in net pay anomaly are women

By Sophie Smith 26/02/2020

Three quarters of the low-earners who missed out on government tax relief for their pension contributions in 2016/17 were women, government statistics have shown.

In response to a written question from Baroness Ros Altmann, Lord Agnew of Outlon confirmed HMRC estimates that a total of 1.3 million individuals earned below the personal allowance for 2016/17 (£11,000), and made workplace pension contributions through net pay arrangements.

Agnew stated: "Around 75 per cent of these individuals are estimated to be female and 25 per cent are estimated to be male".

Furthermore, the number of low earning women saving into net pay schemes has **increased by approximately 200,000** since 2014/15, whilst there was little change for men.

The personal allowance was also raised to £12,500 in April 2019, increasing the amount of tax relief workers missing out on from £34.91 to £63.64 a year.

Concerns around the use of net pay arrangements for those earning under the personal allowance, but over the auto-enrolment threshold, have grown over the last year, with a **report by Now Pensions revealing** that the anomaly could be costing low earners £111m every year.

The People's Pension director of policy, Gregg McClymont, commented: "Tax relief should provide an incentive for people to save and help top-up their pension pots, but this flaw is depriving those who most need this boost to their savings.

"It threatens to damage public confidence in auto-enrolment and only serves to keep the gender pensions gap wide open. Fairness demands this issue is fixed.

"We're calling on the government to deliver on its pledge to review this issue and work to ensure all savers receive the tax relief they're entitled to."

The conservative government was the only **party to include plans to undertake a comprehensive review** of the issues caused by the anomaly in its election manifesto last year.

However, no further plans have been confirmed since the party was elected in December, although **industry experts have echoed calls for action.**

Agnew also confirmed that a total of 6.8 million savers had made workplace pension contributions using relief at source, with 45 per cent of these estimated to be female, and 55 per cent to be male.