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## Spring Budget 2020: Govt confirms review into net pay anomaly

By Duncan Ferris 11/3/20

The government has announced a review into the net pay anomaly, which has left around 1.7 million low-earners in net pay pension schemes missing out on pensions tax relief.

The measure was confirmed in Chancellor Rishi Sunak's 11 March Budget, which stated that the government will "shortly publish a call for evidence on pensions tax relief administration".

The issue has affected those who earn below the £12,500 personal allowance level but have still been saving into a net pay pension scheme as they have a salary above the £10,000 lower threshold for automatic enrolment.

Under net pay schemes, which most occupational schemes tend to be, pension contributions are deducted from pay before tax has been taken off, which has left some workers losing out on as much as £63.64 per year.

The Conservative Party had included plans for a comprehensive review of the issues caused by the anomaly in its 2019 General Election manifesto.

Former Pensions Minister and LCP partner, Steve Webb, said: "This injustice, which affects many lower paid workers in particular, must be addressed. Instead, all we have from the Treasury is the promise of a 'call for evidence'.

"If a review means no action for another year, this will prolong the unfairness to a group who need all the help they can get with their pensions."

Former Pensions Minister, Ros Altmann, said on Twitter that she was "delighted" to see the government announce a consultation on "netpay pension injustice for low earners".

Smart Pension director of policy, Darren Philp, added: "It is just not right that 1.7 million low paid individuals are being hit in the pocket due to a quirk in the pensions tax relief system.

"When the government introduced auto-enrolment they made it clear that people would benefit from a contribution from the government if they were auto-enrolled. This review needs to deliver on that commitment."