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## Net Pay Action Group urges government to pensions tax manifesto pledge



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Altmann says there is no justification for this situation to persist

**The Net Pay Action Group (NPAG) is urging the government to deliver on its manifesto pledge to review unfair tax rules in pensions.**

The group - made up of pension providers, lawyers, tax and payroll specialists, employers, consumer groups, and policy experts - is calling on the government to provide a firm timeline for a review of the system and commit to implementing a solution.

It comes after the Conservatives promised to **"conduct a comprehensive review"**

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The NPAG wants the government to consider its proposed solution of a system that would allow HM Revenue and Customs (HMRC) to identify which savers, earning below the £12,500 income tax threshold, have contributed under a net-pay arrangement. It has suggested HMRC could provide a government savings incentive worth 25% of each lower-paid worker's pension contribution through an existing process.

This follows a raft of calls to the government to fix the tapered annual allowance in pensions, which has seen savers whose earnings fall below the personal tax threshold and are members of net-pay schemes lose out on 20% tax relief. This resulted in these workers **missing out on £60m in tax relief on their pension contributions in 2019/20, as revealed in a**

### **Freedom of Information request earlier this year.**

The NPAG has warned that the current system "threatens to damage public confidence in auto-enrolment, widen the gender pensions gap and let down those who need to increase their retirement savings most".

Former pensions minister Baroness Ross Altmann, who is also a member of the NPAG, said: "I'm delighted that the government has committed to addressing this problem and hope urgent action will be taken to give these low-paid workers, including over one million women, the pension incentives they need and deserve."

She also noted there is "no justification for this situation to persist", and hopes government ministers "act rapidly".

Pension providers have been calling for a change in the pensions tax system for some time, including in their own pension manifesto pledges prior to the general election.

This includes The People's Pension - also a member of the NPAG - which suggested the government should introduce **a flat-rate of tax relief between 25% and 30%** to boost the pension savings of those who most need it.

Other members of the NPAG include: The Pensions and Lifetime Savings Association, Now Pensions, Smart Pension, the Association of British Insurers, and the Trades Union Congress, all of which have previously urged government action in this space.