

The Rt Hon Mel Stride MP
Financial Secretary to the Treasury
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

26 February 2018

Dear Mel

Tax Relief on Pension Contributions for Low Earners

In 2016 I corresponded with the then Financial Secretary to the Treasury, David Gauke MP, about the issue of low earners contributing to pension schemes that operated tax relief on a net pay basis.

In his first response, David Gauke suggested that the issue would be considered as part of the wider 'Strengthening the incentive to save' consultation then underway. In his second response he suggested there may be an opportunity to address this issue as part of the 2017 review of automatic enrolment.

Unfortunately no concrete proposals for fixing this problem emerged from either process.

DWP's report on automatic enrolment simply stated that "it has not been possible to identify any straightforward or proportionate means to align the effects of the net pay and relief at source mechanisms" and suggested that the government's ambition for HMRC to become a digitally advanced tax administrator "may present opportunities to look afresh at the two systems of paying pension tax relief".

I am sure you agree that vague hopes that new digital processes may present a technological fix in the future are not good enough. Government has known about this problem for years and has not brought forward any solutions. I am writing to ask you to intervene and insist that HMRC implement a workaround solution to ensure that low earners in net pay schemes are not financially disadvantaged any longer.

Yours sincerely

Neil Walsh
Pension Officer