



## Employer Contributions

---

Revenue clears up tax relief on employer contributions.

HM Revenue & Customs has published guidance confirming that employers' payment of pension contributions qualifies as a normal business expense, meaning the majority will qualify for tax relief.

The guidance governs when employers receive tax relief on contributions to registered pension schemes. Under A Day rules the Revenue decided any employer pension contribution will only receive corporation tax relief if it is 'wholly and exclusively' for the purposes of the business.

This led to concerns that it may be difficult for employers in certain situations to pass the 'wholly exclusively text'. A contribution or part of a contribution will not receive tax relief only where there is an identifiable non-business purpose for the employer's decision to make the contribution to a registered scheme, or for the size of the contribution. This could include when an employer contribution is paid in respect of a controlling director or an employee who is a relative or close friend of the business proprietor or controlling director.

The guidance says the local inspector should look for evidence that the contributions is purely business related, including whether the level of remuneration package reflects the value of the work undertaken by the individual in question for the employer.

This guidance allows employers and their advisers to plan pension contributions with more confidence. It is clear from the Revenue's guidance that the vast majority of pension contributions will receive full tax relief.