



# Pension Schemes Act 1993

## 1993 CHAPTER 48

### PART III

#### CERTIFICATION OF PENSION SCHEMES AND EFFECTS ON MEMBERS' STATE SCHEME RIGHTS AND DUTIES

### CHAPTER II

#### REDUCTION IN STATE SCHEME CONTRIBUTIONS AND SOCIAL SECURITY BENEFITS FOR MEMBERS OF CERTIFIED SCHEMES

*[<sup>F1</sup>Reduced rates of contributions for members of salary related contracted-out schemes]*

#### Textual Amendments

- F1** S. 41 cross-heading substituted (13.3.1996 for specified purposes, 6.4.1996 for specified purposes, 6.4.1997 in so far as not already in force) by [Pensions Act 1995 \(c. 26\)](#), ss. **137(2)**, 180(1); S.I. 1996/778, art. 2(1)(5)(a), Sch. Pts. I, V; S.I. 1997/664, art. 2(3), **Sch. Pt. II**

#### 41 [<sup>F2</sup>Reduced rates of Class 1 contributions]

[<sup>F3</sup>(1) Subsections (1A) to [<sup>F4</sup>(1E)] apply where—

- (a) the earnings paid to or for the benefit of an earner in any tax week are in respect of an employment which is contracted-out employment at the time of the payment, and
- (b) the earner's service in the employment is service which qualifies him for a pension provided by a salary related contracted-out scheme;

and in subsections (1A) and (1B) “the relevant part”, in relation to those earnings, means so much of those earnings as exceeds the current lower earnings limit but not [<sup>F5</sup>the upper accrual point] (or the prescribed equivalents if the earner is paid otherwise than weekly).]

*Status: Point in time view as at 21/09/2008.*

*Changes to legislation: Pension Schemes Act 1993, Cross Heading: Reduced rates of contributions for members of salary related contracted-out schemes is up to date with all changes known to be in force on or before 02 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

~~F6~~(1ZA) .....

[<sup>F7</sup>(1A) The amount of any primary Class 1 contribution [<sup>F8</sup>attributable to section 8(1)(a) of the Social Security Contributions and Benefits Act 1992 (c. 4)] in respect of the earnings shall be reduced by an amount equal to 1.6 per cent of the relevant part of the earnings (“Amount R1”).

(1B) The amount of any secondary Class 1 contribution in respect of the earnings shall be reduced by an amount equal to [<sup>F9</sup>3.7 per cent] of the relevant part of the earnings (“Amount R2”).

(1C) The aggregate of Amounts R1 and R2 shall be set off—

- (a) first against the aggregate amount which the secondary contributor is liable to pay in respect of the contributions mentioned in subsections (1A) and (1B); and
- (b) then (as to any balance) against any amount which the secondary contributor is liable to pay in respect of any primary or secondary Class 1 contribution in respect of earnings—
  - (i) paid to or for the benefit of any other employed earner (whether in contracted-out employment or not), and
  - (ii) in relation to which the secondary contributor is such a contributor; and in this subsection any reference to a liability to pay an amount in respect of a primary Class 1 contribution is a reference to such a liability under paragraph 3 of Schedule 1 to the Social Security Contributions and Benefits Act 1992.

(1D) If—

- (a) any balance remains, and
- (b) the secondary contributor makes an application for the purpose to the Inland Revenue,

the Inland Revenue shall, in such manner and at such time (or within such period) as may be prescribed, pay to the secondary contributor an amount equal to the remaining balance.

But regulations may make provision for the adjustment of an amount that would otherwise be payable under this subsection so as to avoid the payment of trivial or fractional amounts.

(1E) If the Inland Revenue pay any amount under subsection (1D) which they are not required to pay, they may recover that amount from the secondary contributor in such manner and at such time (or within such period) as may be prescribed.]

(2) Where—

- (a) an earner has ceased to be employed in an employment; and
- (b) earnings are paid to him or for his benefit within the period of 6 weeks, or such other period as may be prescribed, from the day on which he so ceased, that employment shall be treated for the purposes of subsection (1) as contracted-out employment at the time when the earnings are paid if it was contracted-out employment in relation to the earner when he was last employed in it.

(3) This section shall not affect the amount of any primary Class 1 contribution which is payable at a reduced rate by virtue of regulations under section 19(4) of the <sup>M1</sup>Social Security Contributions and Benefits Act 1992 (reduced rates for married women and widows).

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### Textual Amendments

- F2** S. 41 heading substituted (13.3.1996 for specified purposes, 6.4.1996 for specified purposes, 6.4.1997 in so far as not already in force) by [Pensions Act 1995 \(c. 26\)](#), **ss. 137(2)**, 180(1); S.I. 1996/778, art. 2(1)(5)(a), [Sch. Pts. I, V](#); S.I. 1997/664, art. 2(3), **Sch. Pt. II**
- F3** S. 41(1)-(1C) substituted for s. 41(1)(1A) (6.4.1999) by [Social Security Act 1998 \(c. 14\)](#), s. 87(2), **Sch. 7 para. 127**; S.I. 1999/418, art. 2(3)(a)
- F4** Word in s. 41(1) substituted (22.12.1999 for specified purposes, 6.4.2000 in so far as not already in force) by [Welfare Reform and Pensions Act 1999 \(c. 30\)](#), s. 89(3)(a), **Sch. 9 para. 6(2)**; S.I. 1999/3420, art. 2
- F5** Words in s. 41(1) substituted (21.9.2008 with effect in relation to 2009-10 and subsequent tax years) by [National Insurance Contributions Act 2008 \(c. 16\)](#), s. 6(1), **Sch. 1 para. 10(2)** (with Sch. 1 para. 10(4))
- F6** S. 41(1ZA) repealed (21.9.2008 with effect in relation to 2009-10 and subsequent tax years) by [National Insurance Contributions Act 2008 \(c. 16\)](#), s. 6(1), [Sch. 1 para. 10\(3\)](#), **Sch. 2** (with Sch. 1 para. 10(4))
- F7** S. 41(1A)-(1E) substituted for s. 41(1A)-(1C) (22.12.1999 for specified purposes, 6.4.2000 in so far as not already in force) by [Welfare Reform and Pensions Act 1999 \(c. 30\)](#), s. 89(3)(a), **Sch. 9 para. 6(3)**; S.I. 1999/3420, art. 2
- F8** Words in s. 41(1A) inserted (with effect in accordance with s. 8(2) of the amending Act) by [National Insurance Contributions Act 2002 \(c. 19\)](#), **Sch. 1 para. 36**
- F9** Words in s. 41(1B) substituted (6.4.2007) by [The Social Security \(Reduced Rates of Class 1 Contributions, Rebates and Minimum Contributions\) Order 2006 \(S.I. 2006/1009\)](#), arts. 1(1), 2

### Commencement Information

- I1** Ss. 1-187 in force at 7.2.1994 by S.I. 1994/86, **art. 2**

### Marginal Citations

- M1** 1992 c. 4.

## 42 Review and alteration of rates of contributions applicable under s. 41.

- (1) The Secretary of State may from time to time, and shall when required by subsection (2), lay before each House of Parliament—
- (a) <sup>[F10]</sup>a report by the Government Actuary or the Deputy Government Actuary on—
    - (i) the percentages for the time being applying under section <sup>[F11]</sup>41(1A) and (1B)], and
    - (ii) any changes since the preparation of the last report under this paragraph in the factors in his opinion affecting the cost of providing benefits of an actuarial value equivalent to that of the benefits <sup>[F12]</sup>(or parts of benefits) which, in accordance with section 48A below and <sup>[F13]</sup>Schedules 4A and 4B] to the Social Security Contributions and Benefits Act 1992,] are foregone by or in respect of members of salary related contracted-out schemes]
  - (b) a report by the Secretary of State stating whether he considers that, in view of the report of the Government Actuary or the Deputy Government Actuary, there should be an alteration in either or both of those percentages and, if so, what alteration is in his opinion required.
- (2) The Secretary of State shall lay such reports at intervals of not more than five years.

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- (3) If in a report under subsection (1)(b) the Secretary of State states that he considers that there should be an alteration in either or both of the percentages mentioned in section [F14]41(1A) and (1B)], he shall prepare and lay before each House of Parliament with the report the draft of an order making that alteration; and if the draft is approved by resolution of each House the Secretary of State shall make the order in the form of the draft.
- (4) An order under subsection (3) shall have effect from the beginning of such tax year as may be specified in the order, but not a tax year earlier than the second after that in which the order is made.
- (5) No alteration of those percentages shall introduce any distinction on grounds of age or sex.
- (6) A draft of an order making alterations in either or both of those percentages may contain consequential provisions altering any percentage for the time being specified in paragraph 2(3) of Schedule 4 as that percentage applies in relation to earnings paid or payable on or after the day as from which the order is to have effect.

#### Textual Amendments

- F10** S. 42(1)(a) substituted (13.3.1996 for specified purposes, 6.4.1996 for specified purposes, 6.4.1997 in so far as not already in force) by [Pensions Act 1995 \(c. 26\)](#), **ss. 137(3), 180(1)**; [S.I. 1996/778](#), art. 2(1)(5)(a), Sch. Pts. 1, 5; [S.I. 1997/664](#), art. 2(3), Sch. Pt. 2
- F11** Words in s. 42(1)(a)(i) substituted (28.7.2000) by [Child Support, Pensions and Social Security Act 2000 \(c. 19\)](#), s. 86(1)(b)(2), **Sch. 5 para. 4** (with s. 83(6))
- F12** Words in s. 42(1)(a)(ii) substituted (25.1.2001 for specified purposes, 6.4.2002 in so far as not already in force) by [Child Support, Pensions and Social Security Act 2000 \(c. 19\)](#), **ss. 34, 86(1)(b)(2)** (with s. 83(6)); [S.I. 2001/153](#), art. 2(a)
- F13** Words in s. 42(1)(a)(ii) substituted (26.9.2007) by [Pensions Act 2007 \(c. 22\)](#), s. 30(3), **Sch. 2 para. 12**
- F14** Words in s. 42(3) substituted (28.7.2000) by [Child Support, Pensions and Social Security Act 2000 \(c. 19\)](#), s. 86(1)(b)(2), **Sch. 5 para. 4** (with s. 83(6))

#### Modifications etc. (not altering text)

- C1** S. 42(1)(a) modified (13.3.1996 for specified purposes, 6.4.1996 for specified purposes, 6.4.1997 in so far as not already in force) by [Pensions Act 1995 \(c. 26\)](#), **ss. 137(4), 180(1)**; [S.I. 1996/778](#), art. 2(1)(5)(a), Sch. Pts. 1, 5; [S.I. 1997/664](#), art. 2(3), Sch. Pt. 2

#### Commencement Information

- I1** Ss. 1-187 in force at 7.2.1994 by [S.I. 1994/86](#), **art. 2**

**Status:**

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