

FINANCE (NO. 2) ACT 2010

EXPLANATORY NOTES

Section 5: Power to Repeal High Income Excess Relief Charge

Summary

1. **Section 5** gives HM Treasury a power to make an order repealing section 23 of and Schedule 2 to the Finance Act (FA) 2010. Section 23 and Schedule 2 to FA 2010 introduced, with effect from 6 April 2011, a restriction of pension tax relief to the basic rate for high income individuals, known as the “high income excess relief charge”.

Details of the Section

2. Subsection (1) provides that HM Treasury may make an order to repeal section 23 of and Schedule 2 to FA 2010 so that the high income excess relief charge is not introduced.
3. Subsection (2) provides that any order under subsection (1) must be made on or before 31 December 2010.
4. Subsection (3) provides that any order under subsection (1) is excluded from the provisions of section 1014 of the Income and Taxes Act 2007 (ITA). Section 1014 of ITA would have provided for the negative resolution procedure to apply to a statutory instrument made under the section.

Background Note

5. Section 23 of and Schedule 2 to FA 2010 restrict tax relief for pension contributions made by or for the benefit of high income individuals. The charge, known as the high income excess relief charge, is on pension contributions for individuals whose gross income is £150,000 or more and whose relevant income is £130,000 or more.
6. Under Schedule 2 to FA 2010, the high income excess relief charge will come into force with effect from 6 April 2011.
7. In the Emergency Budget 2010, the Chancellor announced that the Government believes that the approach legislated for in Finance Act 2010 could have unwelcome consequences for pension saving, bring significant complexity to the tax system, and damage UK business and competitiveness. An alternative approach involving reform of the existing allowances, principally of a significantly reduced annual allowance, might better meet the Government’s objectives. The Government wishes to engage employers, pension schemes, experts and other interested parties to determine the best design of a regime.
8. This power in this section allows the Government to repeal the legislation relating to the high income excess relief charge at any time before 31 December 2010.
9. The Government will repeal this legislation once it has decided the detail of its approach.