

## Pre-Budget Report: Implications for employment, incentives and pensions

Yesterday's Pre-Budget Report contains some important announcements in the area of employment, incentives and pensions. The headlines are as follows:

- in addition to the 1/2 per cent increase in employers' and employees' national insurance contributions already scheduled to apply from 6 April 2011, there will be a further 1/2 per cent increase from the same date, making a 1 per cent increase in total;
- discretionary bonuses paid by banks and building societies in excess of £25,000 per employee will be subject to a one-off "bank payroll tax" of 50%, payable by the employer and not the employee. It applies to bonuses paid between the date of the PBR and 5 April 2010, although the Government may extend this period until the relevant provisions of the Financial Services Bill are in place. The draft legislation to implement this is complex and includes measures designed to prevent avoidance of the charge. Pre-existing contractual bonuses may be excluded. Share awards, other than under certain HMRC-approved plans, may count as bonuses for the purposes of the charge;
- HMRC is consulting on proposals to widen its disclosure regime whereby the promoters and users of certain types of scheme which may be designed to avoid tax must disclose information about those schemes to HMRC. One proposal is for schemes designed to avoid tax on employment income or to convert income into capital to be disclosed under this regime. HMRC is concerned about certain types of arrangements which it believes involve tax avoidance, although ordinary tax planning schemes are not targeted;
- in order to be eligible to grant qualifying EMI options, a company will no longer have to operate wholly or mainly in the UK. Instead, it need only have a permanent establishment in the UK. The change will apply to options granted on or after 6 April 2010;
- employer contributions will now be taken into account in assessing whether an individual enjoys a gross annual income of £150,000 or more for the purposes of tapering away tax relief on pension contributions from April 2011. Prior to yesterday's PBR the £150,000 income limit would have been calculated excluding the value of any employer contributions; such contributions will now be included in that calculation. However, those enjoying a gross annual income (excluding any employer pension contributions) of less than £130,000 will not be affected by these changes;
- £5bn of savings including phasing-in the roll-out of pension personal accounts; and
- the basic State Pension will increase by 2.5 per cent in April 2010.

### For further information

If you would like to discuss any of the points raised in this Newsflash, please speak to Caroline Carter, head of employment (T: +44 (0)20 7859 1553; E: [caroline.carter@ashurst.com](mailto:caroline.carter@ashurst.com)) Paul Randall, head of employee benefits and incentives (T: +44 (0)20 7859 1298; E: [paul.randall@ashurst.com](mailto:paul.randall@ashurst.com)) or Steven Hull, head of pensions (T: +44 (0)20 7859 1257; E: [steven.hull@ashurst.com](mailto:steven.hull@ashurst.com)).

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