

Employer Pension Payments

Occupational/personal pension schemes

Pension contributions made by an employer towards a personal pension scheme are treated in a similar way to contributions made to an occupational scheme. This followed a similar change made by Income Tax.

Employee pension contributions - no change

Employees' pension contributions deducted from an employee's earnings are made net after social security liability is calculated on the value of gross earnings. This has been the position since the earnings related scheme began in 1979. In Guernsey salary sacrifice schemes do not reduce the employee's liability to pay social security contributions.

Employer pension contributions

Employer's pension contributions are treated as a benefit in kind. Social Security usually adopt a similar treatment of benefits in kind as Income Tax who from 1 January 2011 amended the rules on employer pension contributions. From this time a cap of 25% of relevant earnings is generally applied to the value of an employer pension contribution for Proprietary Directors and Proprietary Employees only before a tax charge on the benefit will arise. Social Security decided to treat employer pension contributions in the same way as Income Tax. As long as the employer contribution is an ordinary contribution, no liability will arise as a benefit in kind.

We recognise that the pension world has changed significantly in recent years and the Committee received approaches about the treatment of pension contributions made to personal pension schemes as opposed to occupational schemes.

In a limited number of cases we were asked about the position when an employer pays the value of an employer's contribution directly to an employee in the expectation that this amount will be paid into the employee's personal pension scheme. As an exception, the Committee accepted this position subject to evidence of the pension contribution being forwarded to the pension provider.

In the light of the continuing trend for employers to make contributions to personal pension schemes the Committee is obliged to formalise the social security treatment of contributions in these circumstances. We therefore revoked the concession previously granted in a limited number of cases, whereby the Committee did not insist that employer's contributions were made directly to the pension provider in order for the payment to be accepted in the definition of an employer's contribution and not subject to social security liability.