

EXPLANATORY NOTES

National Insurance Contributions (Employer Pensions Contributions) Act 2026

Chapter 15

£8.90

NATIONAL INSURANCE CONTRIBUTIONS (EMPLOYER PENSIONS CONTRIBUTIONS) ACT 2026

EXPLANATORY NOTES

What these notes do

These Explanatory Notes relate to the National Insurance Contributions (Employer Pensions Contributions) Act 2026 which received Royal Assent on 29 April 2026 (c. 15).

- These Explanatory Notes have been prepared by HM Revenue and Customs (HMRC) to assist the reader of the Act. They do not form part of the Act and have not been endorsed by Parliament.
- These Explanatory Notes explain what each part of the Act means in practice; provides background information on the development of policy; and provides additional information on how the Act will affect existing legislation in this area.
- These Explanatory Notes might best be read alongside the Act. They are not, and are not intended to be, a comprehensive description of the Act.

Table of contents

Subject	Page
Overview of the Act	3
Policy background	3
Legal background	3
Territorial extent and application	3
Commentary on the provisions of the Act	4
Commencement	5
Related documents	5
Annex A - Territorial extent and application in the UK	6
Annex B – Hansard references	7
Annex C – Progress of Bill Table	8

Overview of the Act

1 This Act creates a power for the Treasury to apply a primary and secondary Class 1 National Insurance contributions (NICs) charge where employer pension contributions are made via salary sacrifice arrangements that exceed £2,000 per annum, with effect from 6 April 2029.

Policy background

2 The Act limits the NICs relief available to higher earners on employer pension contributions made through salary sacrifice arrangements whilst protecting lower earning pension savers by introducing a £2,000 threshold. Most employees and their employers who make typical pensions contributions via salary sacrifice will be unaffected. This means from April 2029, a primary and secondary Class 1 NICs charge will be applied where employer pension contributions are made via salary sacrifice arrangements that exceed £2,000. Salary Sacrifice contributions for pensions will continue to be free of income tax.

3 The changes made in this Act do not affect in any way employee pension contributions made via other pension arrangements which are already subject to Class 1 NICs. The existing income tax relief regime for pensions is unaffected by the changes introduced in this Act, employer contributions can continue to be made NICs free, and existing NICs reliefs (e.g. for employees above State Pension age, and provision of the Employment Allowance) will continue to apply.

Legal background

4 Legislation relating to the existing system of NICs and social security benefits is set out in a combination of primary and subordinate legislation. The most relevant provisions are:

a. Social Security Contributions and Benefits Act 1992 (SSCBA 1992).

b. Social Security Contributions and Benefits (Northern Ireland) Act 1992 (SSCB(NI)A 1992).

c. Social Security (Contributions) Regulations 2001 (S.I. 2001/1004).

Territorial extent and application

5 The Act extends to, that is forms part of, the law of England and Wales, Scotland and Northern Ireland. Amendments made by the Act to the legislation of Great Britain and Northern Ireland have the same extent as the enactments they amend. The Act applies in England, Wales, Scotland and Northern Ireland.

6 See the table in Annex A for a summary of the position regarding territorial extent and application in the United Kingdom.

Commentary on the provisions of the Act

Section 1: Employer pensions contributions pursuant to optional remuneration arrangements: Great Britain

7 Section 1(1) amends section 4 SSCBA 1992 by introducing new subsections (6A) to (6E). New subsection (6A) provides that in cases where a benefit in kind mentioned in section 308 or 308A of ITEPA 2003 (contributions to pensions schemes) is provided for an employed earner pursuant to optional remuneration arrangements, and the employed earner would have been liable for income tax on the benefit under section 228A(5) ITEPA but for the exemptions in sections 228A(5)(f)(g) ITEPA, regulations may make provision for treating the amount foregone in relation to the benefit as remuneration derived from the earner's employment. This means there will be no liability to Income Tax but the amount foregone in relation to the benefit is treated as earnings under section 3(1)(a) SSCBA 1992 and therefore liable to a Class 1 NICs charge.

8 New subsection (6B) provides that regulations made under new subsection (6A) must set out the contribution limit, under which an amount foregone in relation to the benefit is not treated as renumeration derived from the earner's employment. This means no NICs will apply to amounts foregone below the £2,000 contribution limit.

9 New subsection (6C)(a) specifies that regulations made under (6A) setting the contributions limit for a tax year may also provide for an equivalent limit for earners who are paid weekly or at other intervals. This ensures that various pay periods will be accommodated in line with the existing NICs system. Subsection (6C)(b) provides the rounding rule for a prescribed equivalent.

10 New subsection (6D)(a) provides that regulations made under new subsection (6A) may make provision for any amount treated as remuneration to be treated as paid at such time as may be specified in regulations, for the benefit of the earner. Subsection (6D)(b) provides that regulations made under new subsection (6A) may provide, in prescribed cases, that the amount treated as remuneration may differ from the amount foregone in relation to the benefit. Subsection (6D)(c) provides that in such cases the amount may be calculated in such manner and on such basis that may be prescribed in regulations.

11 New subsection (6E) is an interpretation provision. It provides that reference to the benefits code in new subsection (6A) have the same meaning in that subsection as they have in the code in ITEPA.

12 Section 1(2) amends section 176 SSCBA 1992 (Parliamentary control) by inserting new subsection (zza). This ensures that any regulations made under new subsection (6A) which reduce the contribution limit for a tax year are subject to the affirmative resolution procedure.

13 Section 1(3) specifies that amendments made by this new section will have effect from tax year 2029-30 and subsequent tax years.

14 Section 1(4) specifies that the first regulations made under section 4(6A) must set the contributions limit at £2,000 for a tax year (subject to any provision made in reliance on subsection (6C)(a) or (b) of section 4). The contribution limit will remain £2,000 for subsequent tax years unless it is amended by later regulations.

Section 2: Employer pensions contributions pursuant to optional remuneration arrangements: Northern Ireland

15 Section 2 makes equivalent provisions to those in Section 1 for Northern Ireland by amending SSCB(NI)A 1992.

16 Section 2(2) amends section 172 SSCB(NI)A 1992 (Assembly etc control) by inserting new subsection (11ZZA) in order to provide that any regulations made under new section 4(6A) SSCB(NI)A 1992 are to be subject to the affirmative resolution procedure where regulations make a reduction in the contributions limit for a tax year.

Section 3: Extent commencement and short title

17 Section 3(1)(a) specifies that Section 1 extends to England and Wales and Scotland.

18 Section 3(1)(b) specifies that Section 2 extends to Northern Ireland.

19 Section 3(2) specified that the Act comes into force on the day on which it is passed.

20 Section 3(3) provides that the Act may be cited as the National Insurance Contributions (Employer Pensions Contributions) Act 2026.

Commencement

21 The provisions in the Act come into force on the 29 April 2026.

Related documents

22 The following documents are relevant to the Act and can be read at the stated locations:

- A Tax Information and Impact Note has been published by HM Revenue and Customs https://www.gov.uk/government/publications/salary-sacrifice-reform-for-pension-contributions-effective-from-6-april-2029/salary-sacrifice-reform-for-pension-contributions

Annex A - Territorial extent and application in the UK

Provision	England	Wales	Scotland	Northern Ireland
	Extends to E & W and applies to England?	**Extends to E & W and applies to Wales?**	**Extends and applies to Scotland?**	**Extends and applies to Northern Ireland?**
Section 1	Yes	Yes	Yes	No
Section 2	No	No	No	Yes
Section 3	Yes	Yes	Yes	Yes

Annex B – Hansard references

23 The following table sets out the dates and Hansard references for each stage of the Act's passage through Parliament.

Stage	Date	Hansard Reference
House of Commons		
Introduction	4th December 2025	
Second Reading	17th December 2025	Hansard - UK Parliament- Vol 777, Col 1008
Public Bill Committee	21st January 2026	Hansard - UK Parliament- Vol 779. Col 355
Report and Third Reading	21st January 2026	Hansard- UK Parliament Vol 779, Col 373
House of Lords		
Introduction	22nd January 2026	Lords Hansard - UK Parliament Vol 852
Second Reading	4th February 2026	Lords Hansard - UK Parliament, Vol 852, Col 1683
Committee Stage	24th February 2026	Lords Hansard - UK Parliament, Vol 853, Col 335GC
Report Stage	5th March 2026	Lords Hansard - UK Parliament, Vol 853, Col 1419
Third Reading	12th March 2026	Lords Hansard - UK Parliament, Vol 854, Col 445
Consideration of Commons Amendments	23rd March 2026	Hansard - UK Parliament, Vol 783, Col 84
Consideration of Lords Amendments	25th March 2026	Consideration of Commons Amendments and/or Reasons - House of Lords Business - UK Parliament- Vol 854
Royal Assent	29th April 2026	Royal Assent - Hansard - UK Parliament- Vol 784 (Commons) Royal Assent - Hansard - UK Parliament- Vol 855 (Lords)

Annex C – Progress of Bill Table

24 This Annex shows how each section and Schedule of the Act was numbered during the passage of the Bill through Parliament.

Section of the Act	Bill as Introduced in the Commons	Bill as introduced in the Lords	Bill as amended on Report in the Lords
Section 1	Clause 1	Clause 1	Clause 1
Section 2	Clause 2	Clause 2	Clause 2
Section 3	Clause 3	Clause 3	Clause 3

Subject matter and legislative competence of devolved legislatures

25 There is no matter in the Act that is within the legislative competence of the devolved legislatures.

© Crown copyright 2026

Printed and published in the UK by The Stationery Office Limited under the authority and superintendence of Saul Nassé, Controller of His Majesty's Stationery Office and King's Printer of Acts of Parliament.

williams lea | tso
An RRD Company

Published by TSO (The Stationery Office), part of Williams Lea, and available from:

Online
www.tsoshop.co.uk

Mail, Telephone & E-mail
TSO
PO Box 29, Norwich, NR3 1GN
Telephone orders/General enquiries: 0333 202 5070
E-mail: customer.services@tso.co.uk
Textphone: 0333 202 5077

ISBN 978-0-10-561130-1

9 780105 611301