STATUTORY INSTRUMENTS

2026 No. 671

INCOME TAX

The Registered Pension Schemes (Net Pay Arrangements) Regulations 2026

Made - - - -	*22nd June 2026*
Laid before the House of Commons	*23rd June 2026*
Coming into force - -	*14th July 2026*

The Treasury make these Regulations in exercise of the powers conferred by section 193A(9) of the Finance Act 2004(**a**).

Citation and commencement

1.—(1) These Regulations may be cited as the Registered Pension Schemes (Net Pay Arrangements) Regulations 2026.

(2) These Regulations come into force on 14th July 2026.

Net pay arrangements: disparity with relief at source

2.—(1) Section 193A of the Finance Act 2004 (net pay arrangements: relief where no income tax liability) is amended as follows.

(2) In the heading, for "relief where no income tax liability" substitute "disparity with relief at source".

(3) For subsections (1) to (3) substitute—

"(1) Where—

(a) relief is given to an individual in accordance with section 193 (net pay arrangements) in respect of the payment of a contribution under a pension scheme in a given tax year ("the relevant tax year"), and

(b) there is a difference between the section 193 amount and the hypothetical section 192 amount,

the Commissioners for His Majesty's Revenue and Customs must make arrangements to secure that, so far as reasonably practicable and subject to provision made under subsection (5), they pay the individual the amount of the difference.

(2) "The section 193 amount" is the higher of—

(**a**) 2004 c. 12; section 193A was inserted by section 25 of the Finance (No. 2) Act 2023 (c. 30).

(a) the amount by which the individual's liability to income tax for the relevant tax year is reduced in consequence of the giving of the relief mentioned in subsection (1)(a), and

(b) the amount by which the individual's liability to income tax for the relevant tax year would have been reduced in consequence of the giving of that relief if the individual had not been entitled to a tax reduction under either of the following—

(i) Chapter 3 of Part 3 of ITA 2007 (tax reductions for married couples and civil partners);

(ii) Chapter 1 of Part 7 of that Act (community investment tax relief).

(3) "The hypothetical section 192 amount" is the amount given by assuming that relief had been given to the individual in accordance with section 192 (relief at source) instead of section 193 and taking the following steps on the basis of that assumption—

Step 1

Determine the amount that the individual would have been entitled to deduct out of the contribution under section 192(1).

Step 2

If section 192A or 192B (adjustments for differences between basic rate and Scottish or Welsh rates) would have applied by reference to the individual and the contribution, adjust the amount determined at Step 1 by (as the case may be)—

(a) adding to it the amount of the tax reduction to which the individual would have been entitled under section 192A(1), or

(b) subtracting from it the amount of tax for which the individual would have been treated as liable under section 192B(1).

Step 3

If the individual's liability to income tax for the relevant tax year would have been reduced by virtue of the application of section 192(4) (increase in basic rate and higher rate limits) by reference to the contribution, add the amount of the reduction to the amount determined at Step 2 (or, where Step 2 does not apply, to the amount determined at Step 1).".

(4) After subsection (5) insert—

"(5A) If an amount is paid to a person under subsection (1) that ought not to have been paid to the person, the amount may be assessed and recovered as though it were an amount of income tax due from the person for the relevant tax year.".

(5) Omit subsections (6) to (8).

Deirdre Costigan
Christian Wakeford

22nd June 2026 — Two of the Lords Commissioners of His Majesty's Treasury

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend section 193A of the Finance Act 2004 (c. 12). Section 193A requires the Commissioners for His Majesty's Revenue and Customs (HMRC) to make top-up payments directly to individuals who save into an occupational pension scheme under net pay arrangements, in order to reduce disparities with occupational pension schemes administered under relief at source arrangements.

At present, section 193A only requires HMRC to make top-up payments to individuals whose total taxable income is below the personal allowance. However, this does not fully address the disparities between schemes administered under net pay arrangements and schemes administered under relief at source arrangements - there are individuals whose total taxable income exceeds the personal allowance who will nonetheless receive less relief under net pay arrangements than they would have done under relief at source arrangements. These Regulations address these disparities by requiring HMRC to make a top-up payment to individuals with pensions administered under net pay arrangements where they obtain less relief than they would have done had their pension been administered under relief at source arrangements.

A Tax Information and Impact Note has not been prepared for this Instrument as it contains no substantive changes to tax policy.

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