Decision Making Guidance from 10th December 2012 – 28th September 2017

Treatment of contributions to private pensions schemes

For contributions to private pensions schemes, the amount that should be deducted will be the ‘gross’ amount. This means the amount of the contributions, plus the Income Tax relief due on them. These amounts will normally be shown separately on the pension provider’s annual statement.

If the provider’s annual statement shows a single amount, you should assume that this is the gross amount. If a non-resident parent disputes this, they must provide confirmation from their pension provider that this is not the case.

Where evidence of pension payments is taken from bank statements, rather than an annual pension statement, the following rules should be applied to calculate the gross amount.

NOTE: You will need to ask the non-resident parent if they were a basic or higher rate taxpayer, as this will affect the evidence you will require (see below).

Non-resident parent was a basic rate taxpayer during the relevant tax year

The gross amount of their pension contributions will be:
£ Amount of contributions x 100 / 80 (this reflects the current basic income tax rate of 20%).

Non-resident parent was a higher / additional rate tax payer

NOTE: The following section will only apply if the evidence relates to a completed tax year. If the evidence of contributions relates to the current tax year, the non-resident parent will not yet have been able to claim additional relief from HMRC.
Tax relief is only given by the pension provider at the basic rate of income tax. The remainder must be claimed by the taxpayer from HMRC.
The ‘grossed up’ amount of the pension contributions that should be deducted from the non-resident parent’s income will be the total of:

- £ Amount of contributions x 100 / 80 (this reflects the current basic income tax rate of 20%); and

- £ Amount of additional tax relief allowed by HMRC.

Higher / additional rate tax payers who want pension contributions to be deducted from their income must submit the normal evidence required PLUS a copy of the HMRC tax calculation notice, which will provide the amount of additional tax relief allowed.

If the non-resident parent fails to provide this evidence, you should only allow tax relief at the basic rate.

Example: Non-resident parent was a higher rate / additional tax payer

Non-resident parent is required to support one qualifying child. HMRC confirm an income figure of £60,000 for the tax year 2010 – 2011. The non-resident parent claims they paid £3000 to their personal pension scheme during that tax year. The non-resident parent submits an annual statement from their pension provider, confirming they received £3000 in payments from the non-resident parent and that they have added £750 in income tax relief at the basic rate of 20%. The non-resident parent also submits a tax calculation notice from HMRC, which shows additional relief of £750 for the balance of tax relief at the higher income tax rate (i.e. 40% higher income tax rate – 20% basic income tax rate already covered by the pension provider).

The total amount to be deducted for pension contributions from the non-resident parent's will therefore be: £3000 (amount of contributions) + £750 (basic rate income tax relief) + £750 (balance of higher rate income tax relief) = £4500.
The income figure to be used in the Maintenance Calculation will therefore be £60,000 - £4500 = £55,500.
This figure will be converted into a weekly amount of: £55,500 x 7 / 365 = £1064.38.

Making the Deduction for pension contributions

When the gross amount of the non-resident parent's contributions has been calculated, the annual figure should be recorded on SIEBEL.
SIEBEL will deduct this amount from the non-resident parent's annual gross taxable income figure, and convert the balance into the Gross Weekly Income figure that will be used in the Maintenance calculation.

<u>Decision Making Guidance from 29th September 2017</u>

Treatment of contributions to private pensions schemes

For contributions to private pensions schemes, the amount that should be deducted will be the 'gross' amount. This means the amount of the contributions, plus the Income Tax relief due on them. These amounts will normally be shown separately on the pension provider's annual statement.

If the provider's annual statement shows a single amount, you should assume that this is the gross amount. If a non-resident parent disputes this, they must provide confirmation from their pension provider that this is not the case.

Where evidence of pension payments is taken from bank statements, rather than an annual pension statement, the following rules should be applied to calculate the gross amount.

Note: You will need to ask the non-resident parent if they were basic or higher rate taxpayer at the effective date of the relevant maintenance calculation.

For example in the tax year 2017 / 2018 the higher rate of income tax is paid when a non resident parent earns £45,001 to £150,000. An additional tax rate of 45% applies for earnings in excess of £150,000.

Income tax rates are available here: https://www.gov.uk/income-tax-rates

Non-resident parent was a basic rate taxpayer during the relevant tax year

The gross amount of their pension contributions will be:

£ Amount of contributions x 100 / 80 (this reflects the current basic income tax rate of 20%).

Non-resident parent was a higher / additional rate tax payer

Note: The following section will only apply if the evidence relates to a completed tax year. If the evidence of contributions relates to the current tax year, the non-resident parent will not yet have been able to claim additional relief from HMRC.

Tax relief is only given by the pension provider at the basic rate of income tax. The remainder must be claimed by the taxpayer from HMRC.

The 'grossed up' amount of the pension contributions that should be deducted from the non-resident parent's income will be the total of:

- £ Amount of contributions x 100 / 80 (this reflects the current basic income tax rate of 20%); and
- £ Amount of additional tax relief allowed by HMRC.

Example: Non-resident parent was a higher rate / additional tax payer

Non-resident parent is required to support one qualifying child. HMRC confirm an income figure of £60,000 for the tax year 2010 – 2011. The non-resident parent claims they paid £3000 to their personal pension scheme during that tax year. The non-resident parent submits an annual statement from their pension provider, confirming they received £3000 in payments from the non-resident parent and that they have added £750 in income tax relief at the basic rate of 20%. As the non-resident parent is a higher rate tax payer they receive additional relief of £750 for the balance of tax relief at the higher income tax rate (i.e. 40% higher income tax rate – 20% basic income tax rate already covered by the pension provider).

The total amount to be deducted for pension contributions from the non-resident parent's will therefore be: £3000 (amount of contributions) + £750 (basic rate income tax relief) + £750 (balance of higher rate income tax relief) = £4500.

The income figure to be used in the Maintenance Calculation will therefore be £60,000 - £4500 = £55,500.
This figure will be converted into a weekly amount of: £55,500 x 7 / 365 = £1064.38.

Making the Deduction for pension contributions

When the gross amount of the non-resident parent’s contributions has been calculated, the annual figure should be recorded,

The CMS computer system will deduct this amount from the non-resident parent’s annual gross taxable income figure, and convert the balance into the Gross Weekly Income figure that will be used in the Maintenance calculation.