



Pension Schemes Act 1993

1993 CHAPTER 48

PART III

CERTIFICATION OF PENSION SCHEMES AND EFFECTS ON MEMBERS' STATE SCHEME RIGHTS AND DUTIES

CHAPTER II

REDUCTION IN STATE SCHEME CONTRIBUTIONS AND SOCIAL SECURITY BENEFITS FOR MEMBERS OF CERTIFIED SCHEMES

*[^{F1}Reduced rates of contributions, and rebates, for
members of money purchase contracted-out schemes*

[^{F1}42A Reduced rates of Class 1 contributions, and rebates

[^{F2}(1) Subsections (2) to [^{F3}(2D) and (3)] apply where—

- (a) the earnings paid to or for the benefit of an earner in any tax week are in respect of an employment which is contracted-out employment at the time of the payment, and
- (b) the earner's service in the employment is service which qualifies him for a pension provided by a money purchase contracted-out scheme;

and in subsections (2) and (2A) “the relevant part”, in relation to those earnings, means so much of those earnings as exceeds the current lower earnings limit but not [^{F4}the upper accrual point] (or the prescribed equivalents if the earner is paid otherwise than weekly).]

[The amount of any primary Class 1 contribution [^{F6}attributable to section 8(1)(a) of the
^{F5}(2) Social Security Contributions and Benefits Act 1992] in respect of the earnings shall be reduced by an amount equal to the appropriate flat-rate percentage of the relevant part of the earnings (“Amount R1”).

Status: Point in time view as at 21/09/2008. This version of this provision has been superseded.

Changes to legislation: *Pension Schemes Act 1993, Section 42A is up to date with all changes known to be in force on or before 06 July 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

- (2A) The amount of any secondary Class 1 contribution in respect of the earnings shall be reduced by an amount equal to the appropriate flat-rate percentage of the relevant part of the earnings (“Amount R2”).
- (2B) The aggregate of Amounts R1 and R2 shall be set off—
- (a) first against the aggregate amount which the secondary contributor is liable to pay in respect of the contributions mentioned in subsections (2) and (2A); and
 - (b) then (as to any balance) against any amount which the secondary contributor is liable to pay in respect of a primary or secondary Class 1 contribution in respect of earnings—
 - (i) paid to or for the benefit of any other employed earner (whether in contracted-out employment or not), and
 - (ii) in relation to which the secondary contributor is such a contributor; and in this subsection any reference to a liability to pay an amount in respect of a primary Class 1 contribution is a reference to such a liability under paragraph 3 of Schedule 1 to the Social Security Contributions and Benefits Act 1992.
- (2C) If—
- (a) any balance remains, and
 - (b) the secondary contributor makes an application for the purpose to the Inland Revenue,
- the Inland Revenue shall, in such manner and at such time (or within such period) as may be prescribed, pay to the secondary contributor an amount equal to the remaining balance.
- But regulations may make provision for the adjustment of an amount that would otherwise be payable under this subsection so as to avoid the payment of trivial or fractional amounts.
- (2D) If the Inland Revenue pay any amount under subsection (2C) which they are not required to pay, they may recover that amount from the secondary contributor in such manner and at such time (or within such period) as may be prescribed.]
- (3) The [^{F7}Inland Revenue] shall except in prescribed circumstances or in respect of prescribed periods pay in respect of that earner and that tax week to the trustees or managers of the scheme or, in prescribed circumstances, to a prescribed person the amount by which—
- (a) the appropriate age-related percentage of that part of those earnings, exceeds
 - (b) the appropriate flat-rate percentage of that part of those earnings.
- (4) Regulations may make provision—
- (a) as to the manner in which and time at which or period within which payments under subsection (3) are to be made,
 - (b) for the adjustment of the amount which would otherwise be payable under that subsection so as to avoid the payment of trivial or fractional amounts,
 - (c) for earnings to be calculated or estimated in such manner and on such basis as may be prescribed for the purpose of determining whether any, and if so what, payments under subsection (3) are to be made.
- (5) If the [^{F8}Inland Revenue][^{F9}pay] an amount under subsection (3) which [^{F9}they][^{F9}are] not required to pay or is not required to pay to the person to whom, or in respect of

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whom, he pays it, he may recover it from any person to whom, or in respect of whom, he paid it.

(6) Where—

- (a) an earner has ceased to be employed in an employment, and
 - (b) earnings are paid to him or for his benefit within the period of six weeks, or such other period as may be prescribed, from the day on which he so ceased,
- that employment shall be treated for the purposes of this section as contracted-out employment at the time when the earnings are paid if it was contracted-out employment in relation to the earner when he was last employed in it.

(7) Subsection (3) of section 41 applies for the purposes of this section as it applies for the purposes of that.

[For the purposes of this section “the appropriate age-related percentage” and “the ^{F10}(8) appropriate flat-rate percentage”, in relation to a tax year beginning before the abolition date, are the percentages specified as such for that tax year in an order made under section 42B (as it had effect prior to that date).]

Textual Amendments

- F1** Ss. 42A, 42B and cross-heading inserted (13.3.1996 for specified purposes, 6.4.1996 for specified purposes, 6.4.1997 in so far as not already in force) by [Pensions Act 1995 \(c. 26\)](#), [ss. 137\(5\)](#), [180\(1\)](#); [S.I. 1996/778](#), [art. 2\(1\)\(5\)\(a\)](#), [Sch. Pts. I, V](#); [S.I. 1997/664](#), [art. 2\(3\)](#), [Sch. Pt. II](#)
- F2** S. 42A(1)-(2B) substituted for s. 42A(1)(2) (6.4.1999) by [Social Security Act 1998 \(c. 14\)](#), [s. 87\(2\)](#), [Sch. 7 para. 128](#); [S.I. 1999/418](#), [art. 2\(3\)\(a\)](#)
- F3** Words in s. 42A(1) substituted (22.12.1999 for specified purposes, 6.4.2000 in so far as not already in force) by [Welfare Reform and Pensions Act 1999 \(c. 30\)](#), [s. 89\(3\)\(a\)](#), [Sch. 9 para. 7\(2\)](#); [S.I. 1999/3420](#), [art. 2](#)
- F4** Words in s. 42A(1) substituted (21.9.2008 with effect in relation to 2009-10 and subsequent tax years) by [National Insurance Contributions Act 2008 \(c. 16\)](#), [s. 6\(1\)](#), [Sch. 1 para. 11](#)
- F5** S. 42A(2)-(2D) substituted for s. 42A(2)-(2B) (22.12.1999 for specified purposes, 6.4.2000 in so far as not already in force) by [Welfare Reform and Pensions Act 1999 \(c. 30\)](#), [s. 89\(3\)\(a\)](#), [Sch. 9 para. 7\(3\)](#); [S.I. 1999/3420](#), [art. 2](#)
- F6** Words in s. 42A(2) inserted (with effect in accordance with s. 8(2) of the amending Act) by [National Insurance Contributions Act 2002 \(c. 19\)](#), [Sch. 1 para. 37](#)
- F7** Words in s. 42A(3) substituted (25.2.1999 for specified purposes, 1.4.1999 in so far as not already in force) by [Social Security Contributions \(Transfer of Functions, etc.\) Act 1999 \(c. 2\)](#), [s. 28\(2\)\(a\)](#), [Sch. 1 para. 46\(2\)](#); [S.I. 1999/527](#), [art. 2\(b\)](#), [Sch. 2 \(with arts. 3-6\)](#)
- F8** Words in s. 42A(5) substituted (25.2.1999 for specified purposes, 1.4.1999 in so far as not already in force) by [Social Security Contributions \(Transfer of Functions, etc.\) Act 1999 \(c. 2\)](#), [s. 28\(2\)\(a\)](#), [Sch. 1 para. 46\(3\)\(a\)](#); [S.I. 1999/527](#), [art. 2\(b\)](#), [Sch. 2 \(with arts. 3-6\)](#)
- F9** Words in s. 42A(5) substituted (25.2.1999 for specified purposes, 1.4.1999 in so far as not already in force) by [Social Security Contributions \(Transfer of Functions, etc.\) Act 1999 \(c. 2\)](#), [s. 28\(2\)\(a\)](#), [Sch. 1 para. 46\(3\)\(b\)](#); [S.I. 1999/527](#), [art. 2\(b\)](#), [Sch. 2 \(with arts. 3-6\)](#)
- F10** S. 42A(8) inserted (26.9.2007 for specified purposes) by [Pensions Act 2007 \(c. 22\)](#), [ss. 15\(4\)](#), [30\(2\)\(b\)\(3\)](#), [Sch. 4 para. 17 \(with Sch. 4 Pt. 3\)](#)

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