

Beneficiaries of employer-provided pension benefits

(Lecture P1113 – 4.48 minutes)

When an employer provides death-in-service benefits through a life assurance policy or offers retirement benefits through a qualifying relevant overseas pension scheme, the employee in question will usually name a beneficiary to receive any payment due on their death or to receive their retirement benefits.

Prior to the introduction of a new clause in the draft Finance Bill published on 6 July 2018, premiums paid into these schemes by the employer only represented a tax-free benefit for the employee if the named beneficiary was another employee or a member of the deceased employee's family or household (eg. spouse, civil partner, parents, children, dependants, domestic staff and guests).

For 2019/20 onwards, the clause updates the exemption in S307 ITEPA 2003 by extending the provision to include any named individual as the preferred recipient, irrespective of their relationship to the employee. In the words of HM Treasury, 'this ensures that employees throughout the workforce are treated fairly and proportionately with employees in marriage or with close family'.

The extended exemption will also allow employees to nominate a registered charity.

Contributed by Robert Jamieson