

*These notes refer to the Welfare Reform and Pensions Act
1999 (c.30) which received Royal Assent on 11 November 1999*

WELFARE REFORM AND PENSIONS ACT 1999

EXPLANATORY NOTES

COMMENTARY

Commentary

Part III

Sections 77 and 78: National Insurance Class 1B contributions

Section 77 ties the National Insurance Class 1B rate to the rate of ‘secondary’ (employer) Class 1 contributions, thus preventing the Class 1B rate from being raised independently by regulations. Both rates are currently set at 12.2%.

It amends section 10A of the Contributions and Benefits Act which deals with Class 1B contributions, replacing subsection (6) (which provides that the percentage rate is to be 12.2%, but enables it to be altered under section 143A of the Administration Act) with a provision to tie it to the rate of the secondary contribution, as specified in section 9(2) of the Contributions and Benefits Act.

Background

Measures introduced in the Social Security Act 1998 provide that, from 6 April 1999, employers can settle the National Insurance liability on a Pay As You Earn Settlement Agreement (PSA) for tax purposes. This introduced a new class of National Insurance contributions known as Class 1B.

The percentage rate of Class 1B NICs was initially set at the same level as the rate of secondary (employer) contributions, but was capable of being varied independently of the secondary Class 1 rate.

This section ties the rate of Class 1B directly to the rate of secondary (employer) contributions, thus taking away the ability for it to be varied independently of that rate.

Section 78 makes corresponding provision for Northern Ireland.