

NATIONAL INSURANCE CONTRIBUTIONS ACT 2011

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Part 1: Increases in rates

Section 1: Class 1 contributions

19. **Section 1** specifies the changes to be made to section 8(2) of the Social Security Contributions and Benefits Act 1992 (SSCBA 1992) and the Social Security Contributions and Benefits (Northern Ireland) Act 1992 (SSCB(NI)A 1992) (calculation of primary Class 1 percentages).
20. **Subsection (1)(a)** provides that the main rate of Class 1 primary contributions (the employee contribution) is increased from 11% to 12%.
21. **Subsection (1)(b)** provides that the additional rate of Class 1 contributions (the additional primary percentage) is increased from 1% to 2%.
22. **Subsection (2)** provides that the Class 1 secondary contribution (the employer contribution) is increased from 12.8% to 13.8%.

Section 2: Class 4 contributions

23. **Section 2** specifies the changes to be made to section 15(3ZA) of SSCBA 1992 and SSCB(NI)A 1992 (Class 4 percentages).
24. **Subsection (1)(a)** provides that the main rate of Class 4 contributions is increased from 8% to 9%.
25. **Subsection (1)(b)** provides that the additional rate of Class 4 contributions is increased from 1% to 2%.
26. **Subsection (2)** amends section 143(4)(b) of the Social Security Administration Act 1992 (SSAA 1992) (power to alter contributions with a view to adjusting level of National Insurance Fund). It increases from 8.25% to 9.25% the limit for any increase in the rate of Class 4 contributions that may be made by Treasury order.

Section 3: Increased product of additional rates to be paid into National Insurance Fund

27. **Section 3** amends section 162(5) of SSAA 1992 and section 142(5) of SSA(NI)A 1992 (destination of contributions: 100 per cent of product of additional primary percentage rate and additional Class 4 percentage rate to form part of health service allocation). The purpose of this is that, although the additional rates are being increased from 1% to 2%, the revenue from the additional 1% rise will not go towards the NHS, but instead will be paid into the National Insurance Fund.