



# National Insurance Contributions (Reduction in Rates) Act 2023

CHAPTER 57

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Explanatory Notes have been produced to assist in the understanding of this Act and are available separately

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# National Insurance Contributions (Reduction in Rates) Act 2023

## CHAPTER 57

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# National Insurance Contributions (Reduction in Rates) Act 2023

## 2023 CHAPTER 57

An Act to make provision for and in connection with reducing the main rates of primary Class 1 national insurance contributions and Class 4 national insurance contributions, and removing the requirement to pay Class 2 national insurance contributions. [18th December 2023]

**B**E IT ENACTED by the King's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

### 1 Reduction of Class 1 main primary percentage

- (1) In the Social Security Contributions and Benefits Act 1992, in section 8(2)(a) (main primary percentage), for “12 per cent” substitute “10%”.
- (2) In the Social Security Contributions and Benefits (Northern Ireland) Act 1992, in section 8(2)(a) (main primary percentage), for “12 per cent” substitute “10%”.
- (3) In regulation 131 of the Social Security (Contributions) Regulations 2001—
  - (a) omit “On and after 6th April 2011”, and
  - (b) for “5.85 per cent” substitute “3.85%”.
- (4) The amendments made by this section come into force on 6 January 2024.

### 2 Reduction of main Class 4 percentage

- (1) In the Social Security Contributions and Benefits Act 1992, in section 15(3ZA)(a), for “9 per cent” substitute “8%”.
- (2) In the Social Security Contributions and Benefits (Northern Ireland) Act 1992, in section 15(3ZA)(a), for “9 per cent” substitute “8%”.
- (3) The amendments made by this section come into force on 6 April 2024.

### **3 Removal of requirement to pay Class 2 contributions**

- (1) In section 11 of the Social Security Contributions and Benefits Act 1992 (Class 2 contributions)—
  - (a) omit subsection (2),
  - (b) in subsection (4), omit paragraph (a),
  - (c) omit subsection (5),
  - (d) in subsection (5A), omit the words from “but” to the end,
  - (e) in subsection (5B), omit “under subsection (2)”, and
  - (f) in subsection (8), for “subsections (2) and” substitute “subsection”.
- (2) In section 11 of the Social Security Contributions and Benefits (Northern Ireland) Act 1992 (Class 2 contributions)—
  - (a) omit subsection (2),
  - (b) in subsection (4), omit paragraph (a),
  - (c) omit subsection (5),
  - (d) in subsection (5A), omit the words from “but” to the end,
  - (e) in subsection (5B), omit “under subsection (2)”, and
  - (f) in subsection (8), for “subsections (2) and” substitute “subsection”.
- (3) The amendments made by this section come into force on 6 April 2024.

### **4 Transitional and consequential provision**

The Schedule contains transitional and consequential provision.

### **5 Short title**

This Act may be cited as the National Insurance Contributions (Reduction in Rates) Act 2023.

SCHEDULE

Section 4

TRANSITIONAL AND CONSEQUENTIAL PROVISION

*Rates for directors in the tax year 2023-24*

- 1 (1) This paragraph applies to an assessment of the amount of earnings-related contributions payable where that amount is assessed on the amount of earnings paid in an earnings period specified in regulation 8(2) to (5) of the Social Security (Contributions) Regulations 2001 (earnings periods for directors).
- (2) For the purposes of such an assessment the following apply, for the tax year 2023-24, with the modifications specified.
- (3) Part 1 of the Social Security Contributions and Benefits Act 1992 has effect as if in section 8(2)(a) (main primary percentage), for the percentage specified there were substituted “11.5%”.
- (4) Part 1 of the Social Security Contributions and Benefits (Northern Ireland) Act 1992 has effect as if in section 8(2)(a) (main primary percentage), for the percentage specified there were substituted “11.5%”.
- (5) Regulation 131 of the Social Security (Contributions) Regulations 2001 has effect as if for the percentage specified there were substituted “5.35%”.
- (6) In this paragraph “earnings-related contributions” has the meaning it has in the Social Security (Contributions) Regulations 2001 (see regulation 1(2)).

*Annual maximum contributions for the tax year 2023-24*

- 2 (1) The Social Security (Contributions) Regulations 2001 are amended as follows.
- (2) In regulation 21 (annual maxima for those with more than one employment) –
  - (a) in paragraph (2), in Step Two, for “12 per cent” substitute “11.5%”, and
  - (b) in paragraph (3), for “12 per cent” substitute “the rate specified as the main primary percentage”.
- (3) In regulation 100 (annual maximum of Class 4 contributions), in paragraph (4), for “12 per cent” substitute “the rate specified as the main primary percentage”.
- (4) The amendments made by this paragraph are treated as having come into force on 6 April 2023.

*Annual maximum contributions for subsequent tax years*

- 3 (1) The Social Security (Contributions) Regulations 2001 (as amended by paragraph 2) are amended as follows.
- (2) In regulation 21 (annual maxima for those with more than one employment) in paragraph (2), in Step Two, for “11.5%” substitute “10%”.

- (3) In regulation 100 (annual maximum of Class 4 contributions), in paragraph (3) –
  - (a) in Step Two, for “9 per cent” substitute “8%”, and
  - (b) in Step Five, for “100/9” substitute “100/8”.
- (4) The amendments made by this paragraph come into force on 6 April 2024.

*Class 2 contributions*

- 4 (1) In the Social Security Contributions and Benefits Act 1992, omit section 11A (application of certain provisions of the Income Tax Acts in relation to Class 2 contributions under section 11(2)).
- (2) In the Social Security Contributions and Benefits (Northern Ireland) Act 1992, omit section 11A (application of certain provisions of the Income Tax Acts in relation to Class 2 contributions under section 11(2)).
- (3) The Social Security Administration Act 1992 is amended as follows.
- (4) In section 141 (annual review of contributions), in subsection (4) –
  - (a) in paragraph (a), for “11(2) and (6)” substitute “11(6)”, and
  - (b) in paragraph (b) –
    - (i) for "figures" substitute "figure", and
    - (ii) omit "the lower profits threshold and as".
- (5) In section 143 (power to alter contributions with a view to adjusting level of National Insurance Fund) –
  - (a) in subsection (1)(c) for “11(2) and (6)” substitute “11(6)”, and
  - (b) in subsection (3) –
    - (i) for “11(2) and (6)” substitute “11(6)”, and
    - (ii) for “lower profits threshold” substitute “small profits threshold”.
- (6) In section 145 (power to alter primary and secondary contributions), in subsection (4)(a), for “11(2) and (6)” substitute “11(6)”.
- (7) The amendments made by this paragraph come into force on 6 April 2024.

*Power to make further consequential provision*

- 5 (1) The Treasury may by regulations made by statutory instrument –
  - (a) make such provision as they consider appropriate in consequence of this Act, and
  - (b) make such transitional or saving provision as they consider appropriate in connection with the coming into force of any provision of this Act.
- (2) Regulations under this paragraph may (among other things) –
  - (a) amend, repeal or revoke provision made by or under any enactment;
  - (b) make provision having retrospective effect from no earlier than 6 April 2023.



- (3) Subsections (3) and (4) of section 175 of the Social Security Contributions and Benefits Act 1992 (provision which may be made by regulations) apply to regulations under this paragraph as they apply to regulations under that Act.
  - (4) A statutory instrument containing regulations under this paragraph is subject to annulment in pursuance of a resolution of either House of Parliament.
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