



EXPLANATORY NOTES

National Insurance Contributions (Reduction in Rates) Act 2024

Chapter 5

NATIONAL INSURANCE CONTRIBUTIONS (REDUCTION IN RATES) ACT 2024

EXPLANATORY NOTES

What these notes do

These Explanatory Notes relate to the National Insurance Contributions (Reduction in Rates) Act 2024 which received Royal Assent on 20 March 2024 (c. 5).

- These Explanatory Notes have been prepared by HM Revenue and Customs (HMRC) in order to assist the reader in understanding the Act. They do not form part of the Act and have not been endorsed by Parliament.
- These Explanatory Notes explain what each part of the Act will mean in practice; provide background information on the development of policy; and provide additional information on how the Act will affect existing legislation in this area.
- These Explanatory Notes might best be read alongside the Act. They are not, and are not intended to be, a comprehensive description of the Act.

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These Explanatory Notes relate to the National Insurance Contributions (Reduction in Rates) Act 2024 which received Royal Assent on 20 March 2024 (c. 5)

Overview of the Act

- 1 This Act introduces a cut in the main rate of primary (employee) Class 1 National Insurance contributions (NICs) from 10% to 8% and a cut in the main rate of self-employed Class 4 NICs from the previously announced rate of 8% to 6%. The reduction in rates to 8% was legislated in the National Insurance Contributions (Reduction in Rates) Act 2023. The further rate cuts take effect from 6 April 2024.

Policy background

- 2 The Act is intended to provide a further cut in the amount of NICs paid for 29 million working people, worth over £450 to the average employee earning £35,400 per annum and £310 to the average self-employed person with profits of £28,000 per annum.

Legal background

- 3 Legislation relating to the existing system of NICs and social security benefits is set out in a combination of primary and subordinate legislation. The most relevant provisions are:
 - a. Social Security Contributions and Benefits Act 1992 (SSCBA 1992).
 - b. Social Security Contributions and Benefits (Northern Ireland) Act 1992 (SSCB(NI)A 1992).
 - c. National Insurance Contributions (Reduction in Rates) Act 2023.
 - d. Social Security (Contributions) Regulations 2001 (S.I. 2001/1004).
- 4 These provisions will continue to be the main legislation dealing with NICs.

Territorial extent and application

- 5 The Act extends to, that is forms part of, the law of England and Wales, Scotland and Northern Ireland. Amendments the Act makes to the legislation of Great Britain and Northern Ireland have the same extent as the enactments they amend. The Act applies in England, Wales, Scotland and Northern Ireland.
- 6 There is a convention that Westminster will not normally legislate with regard to matters that are within the legislative competence of the Scottish Parliament, Senedd Cymru or the Northern Ireland Assembly without consent of the legislature concerned.
- 7 The matters to which the provisions of the Act relate are not within the legislative competence of the Scottish Parliament, Senedd Cymru or the Northern Ireland Assembly, and no legislative consent motion is being sought in relation to any provision of the Act.
- 8 See the table in Annex A for a summary of the position regarding territorial extent and application in the United Kingdom.

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Commentary on provisions of Act

Section 1: Reduction in rates

- 9 Section 1(1)(a) amends section 8(2)(a) SSCBA 1992 to reduce the main primary percentage of Class 1 NICs paid by employees from 10% to 8%. Section 1(1)(b) makes equivalent provisions for Northern Ireland by amending SSCB(NI)A 1992.
- 10 Section 1(3)(a) amends section 15(3ZA)(a) SSCBA 1992 to reduce the main Class 4 percentage paid by the self-employed to 6%. Section 1(3)(b) makes equivalent provisions for Northern Ireland by amending SSCB(NI)A 1992.
- 11 Section 1(2) reduces the reduced rate that applies in relation to a historic class of married women and widows.
- 12 Section 1(4) provides that section 2 of the National Insurance Contributions (Reduction in Rates) Act 2023 is superseded by section 1(3) and accordingly is to be treated as never having had effect. The current main Class 4 percentage is 9%. Section 2 of the National Insurance Contributions (Reduction in Rates) Act 2023 would have set the Class 4 NIC rate at 8% for the start of the 2024-25 tax year (if that section had not been superseded by section 1(3) of this Act).
- 13 The amendments made by Section 1 take effect from 6 April 2024.

Section 2: Annual maximum contributions

- 14 Section 2 amends S.I. 2001/1004. Section 2 amends the calculation of the annual maximum for the start of the 2024-25 tax year, as set out in regulations 21 and 100 of S.I. 2001/1004 to reflect the reduced main rates of primary Class 1 NICs and Class 4 NICs.
- 15 Section 2(4) provides that paragraph 3 of the Schedule to the National Insurance Contributions (Reduction in Rates) Act 2023 is superseded by this section and accordingly is to be treated as never having had effect. Paragraph 3 of the National Insurance Contributions (Reduction in Rates) Act 2023 would have set the annual maximum specified in regulations 21 and 100 of S.I. 2001/1004 for the start of the 2024-25 tax year based on the rate reductions in that Act.

Section 3: Commencement and short title

- 16 Section 3(1) provides that the Act comes into force on 6 April 2024.
- 17 Section 3(2) gives the short title of the Act as the National Insurance Contributions (Reduction in Rates) Act 2024.

Commencement

18 All the provisions in the Act come into force on 6 April 2024.

Related documents

19 The following documents are relevant to the Act and can be read at the stated locations:

- A Tax Information and Impact Note has been published by HM Revenue and Customs.¹

¹ <https://www.gov.uk/government/publications/changes-to-national-insurance-contributions-from-6-april-2024/reduction-to-the-main-rates-of-primary-class-1-and-class-4-national-insurance-contributions>

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Annex A – Territorial extent and application in the United Kingdom

Provision	England	Wales	Scotland	Northern Ireland
	Extends to E & W and applies to England?	Extends to E & W and applies to Wales?	Extends and applies to Scotland?	Extends and applies to Northern Ireland?
Section 1	Yes	Yes	Yes	Yes
Section 2	Yes	Yes	Yes	Yes
Section 3	Yes	Yes	Yes	Yes

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Annex B - Hansard References

20 The following table sets out the dates and Hansard references for each stage of the Act's passage through Parliament.

Stage	Date	Hansard Reference
<i>House of Commons</i>		
Introduction	7 March 2024	Vol. 746 Col. 984
Second Reading	13 March 2024	Vol. 747 Col. 331
Public Bill Committee	13 March 2024	Vol. 747 Col. 374
Report and Third Reading	13 March 2024	Vol. 747 Col. 386
<i>House of Lords</i>		
Introduction	13 March 2024	Vol. 836 Col. 2101
Second Reading	18 March 2024	Vol. 837 Col. 86
Committee Stage	19 March 2024	Vol. 837 Col. 106
Report and Third Reading	19 March 2024	Vol. 837 Col. 106
Royal Assent	20 March 2024	House of Commons Vol. 747 Col. 943
		House of Lords Vol. 837 Col. 195

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Annex C - Progress of Bill Table

21 This Annex shows how each section and Schedule of the Act was numbered during the passage of the Bill through Parliament.

Section of the Act	Bill as Introduced in the Commons	Bill as amended in Committee in the Commons	Bill as introduced in the Lords	Bill as amended in Committee in the Lords	Bill as amended on Report in the Lords
Section 1	Clause 1	Clause 1	Clause 1	Clause 1	Clause 1
Section 2	Clause 2	Clause 2	Clause 2	Clause 2	Clause 2
Section 3	Clause 3	Clause 3	Clause 3	Clause 3	Clause 3

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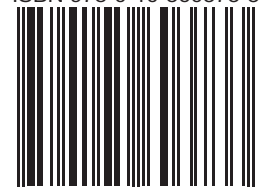
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