

EXPLANATORY MEMORANDUM TO THE
SOCIAL SECURITY (CONTRIBUTIONS) (RE-RATING AND NATIONAL
INSURANCE FUNDS PAYMENTS) ORDER 2005
2005 No.

1. This explanatory memorandum has been prepared by the Treasury and is laid before Parliament by Command of Her Majesty. This memorandum contains information for the Select Committee on Statutory Instruments.

2. **Description**
 - 2.1 The purpose of this Statutory Instrument is to specify the rates of Class 2 and Class 3 National Insurance contributions and the amount of earnings below which an earner may be excepted from liability for Class 2 contributions.
 - 2.2 The Order also specifies the lower and upper profit limits for Class 4 contributions payable at the main Class 4 percentage rate.
 - 2.3 It also allows for payment of a Treasury Grant not exceeding 2 per cent of estimated benefit expenditure for the coming tax year to be paid into the National Insurance Fund and makes corresponding provision for Northern Ireland.

3. **Matters of special interest to the Select Committee on Statutory Instruments**
 - 3.1 None

4. **Legislative Background**
 - 4.1 In each tax year the Treasury is required, by section 141 of the Social Security Administration Act 1992 (“the GB Administration Act”) to conduct a review of the general level of earnings in Great Britain taking into account changes in that level since their last review with a view to determining whether an order should be made under the section to have effect for the following tax year.
 - 4.2 It is a condition precedent to laying such an order under section 141 of the GB Administration Act that a report by the Government Actuary or the Deputy Government Actuary be laid before Parliament on the effect which, in that Actuary’s opinion, the making of the order would have on the National Insurance Fund. The report by the Government Actuary’s Department was published on 1 February 2005 as Cm 6457. If an order is made under section 141 of the GB Administration Act,

the order may also make a corresponding provision for Northern Ireland under section 129 of the Social Security Administration (Northern Ireland) Act 1992.

5. Extent

5.1 These Regulations apply throughout the United Kingdom.

6. European Convention on Human Rights

6.1 In the view of the Paymaster General, Dawn Primarolo, the provisions of this draft Order are compatible with the Convention rights.

7. Policy Background

7.1 The Order increases the small earnings exception for payment of Class 2 contributions and amends the rate of Class 2 and Class 3 contributions. It increases the lower and upper profits limit for payment of Class 4 contributions. The Order also makes provision under section 2(2) of the Social Security Act 1993 for payment of a Treasury Grant not exceeding 2 per cent of estimated benefit expenditure for the coming tax year to be paid into the National Insurance Fund, if necessary. It also makes corresponding provision in respect of the Northern Ireland National Insurance Fund under Article 4(3) of the Social Security (Northern Ireland) Order 1993.

8. Impact

8.1 A regulatory impact assessment has not been prepared for this instrument as it does not impose any new costs on business.

9. Contact

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