

EXPLANATORY MEMORANDUM TO
THE SOCIAL SECURITY (CONTRIBUTIONS) (AMENDMENT)
REGULATIONS 2008

2008 No. 133

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 Joint Committee on Statutory Instruments.

2. Description

The purpose of this Statutory Instrument is to specify the levels of the lower and upper earnings limits for primary and secondary Class 1 National Insurance Contributions and the primary and secondary thresholds for Class 1 National Insurance Contributions for 2008-09. It also provides for the equivalents of the primary and secondary thresholds where the earnings period is a month or a year.

3. Matters of special interest to the Joint Committee on Statutory Instruments

None

4. Legislative Background

4.1 This instrument is being made to effect an annual uprating of thresholds for Class 1 National Insurance Contributions. It increases the upper and lower earnings limits and the primary and secondary thresholds for the payment of Class 1 National Insurance Contributions for 2008-09.

4.2 The instrument is made at the same time as The Social Security (Contributions) (Re-rating) Order 2008, which is an affirmative instrument that brings into force the annual up-rating of National Insurance rates and thresholds of Class 2, Class 3 and Class 4 National insurance Contributions.

5. Extent

These Regulations apply throughout the United Kingdom.

6. European Convention on Human Rights

As this instrument is subject to the negative resolution procedure and does not amend primary legislation no statement is required.

7. Policy background

7.1 Class 1 National Insurance Contributions (NICs) are payable on earnings and are made up of two elements, primary contributions payable by the employee and secondary contributions payable by the employer. Section 5 of the Social Security Contributions and Benefit

Act 1992, as amended by paragraph 1 of Schedule 9 to The Welfare Reform and Pensions Act 1999 allow the earnings limits and threshold for Class 1 NICs to be changed.

- 7.2 Employees contributions are payable at the main primary percentage (currently 11%) on earnings between the Primary Threshold and the Upper Earnings Limit. From April 2003, following the National Insurance Contributions Act 2002, Class 1 employee contributions have also been due at the additional primary percentage (currently 1%) on all earnings exceeding the Upper Earnings Limit.
- 7.3 Employers pay Class 1 NICs on their employees' earnings above the Secondary Threshold at a single percentage rate. There is no upper limit for payment of employers' NICs.
- 7.4 The Lower Earnings Limit is linked by statute to the amount of basic state retirement pension, rounded down to the nearest pound. An increase to the basic state pension was announced in the Treasury Press release on 18th October 2007. This instrument increases the Lower Earnings Limit to the new level of basic state pension.
- 7.5 Both the primary and secondary thresholds are set at a level equivalent to the Income Tax Personal Allowance (ITPA). An increase to the ITPA was also announced in the Treasury Press Release on 18th October 2007. This instrument increases both of these thresholds to the increased level of the ITPA.
- 7.6 The upper earnings limit has been increased in line with the Budget announcement on 21st March 2007.
- 7.7 This instrument also provides for the equivalents of the primary and secondary thresholds where the earnings period is a month or a year.
- 7.8 These amendments will make only a small amendment to the Social Security (Contributions) Regulations 2001 which are very large and complex (the printed text ran to around 150 pages in 2001). HM Revenue and Customs has no current plans to consolidate these Regulations. On the last occasion it was a task involving 18 months work and contributions from four different Government departments.

8. Impact

An impact assessment has not been prepared for this instrument as it has no impact on business, charities or voluntary bodies.

9. Contact

Kevin Rice at HM Revenue & Customs Tel: 0207 147 2514 or e-mail: kevin.rice@hmrc.gsi.gov.uk can answer any queries regarding the instrument.