

EXPLANATORY MEMORANDUM TO
THE SOCIAL SECURITY (CONTRIBUTIONS) (AMENDMENT) (No.2)
REGULATIONS 2016

2016 No. 352

1. Introduction

1.1 This explanatory memorandum has been prepared by H.M. Revenue and Customs on behalf of H.M. Treasury and is laid before Parliament by Command of Her Majesty.

2. Purpose of the instrument

2.1 This instrument makes consequential amendments to the Social Security (Contributions) Regulations 2001 (S.I. 2001/1004) (the “Principal Regulations”). The amendments cover:-

- Introduction of a Class 1 liability when paid or reimbursed business expenses, other than relevant motoring expenditure, are provided through salary sacrifice or at an unapproved scale rate;
- Restricting the availability of the NICs disregard for travel and subsistence for those working through an employment intermediary;
- Travel expenses of members of local authorities;
- Calculation of penalties for failures to make a tax return;
- Consequential changes arising from the abolition of the contracted-out rebate as a result of the Pensions Act 2014.

3. Matters of special interest to Parliament

Matters of special interest to the Joint Committee on Statutory Instruments

3.1 None.

Other matters of interest to the House of Commons

3.2 As this instrument is subject to negative resolution procedure and has not been prayed against, consideration as to whether there are other matters of interest to the House of Commons does not arise at this stage.

4. Legislative Context

Introducing a Class 1 liability when paid or reimbursed business expenses, other than relevant motoring expenditure, are provided through salary sacrifice or at an unapproved scale rate

4.1 Sections 289A – 289E of the Income Tax (Earnings and Pensions) Act 2003 (ITEPA) were inserted by section 11 of the Finance Act 2015. They provide an exemption for reimbursed expenses which would otherwise be deductible and replace the existing dispensations process from 6 April 2016. This is subject to the condition that the expenses are not provided pursuant to salary sacrifice arrangements or at a scale rate that has not been approved by HMRC. In addition, the employee must have incurred and paid the expenses which would otherwise be deductible.

- 4.2 Sections 289A (5) and 289D (2) of ITEPA define salary sacrifice arrangements and section 289A (6) of ITEPA provides the power to make regulations for approved scale rates. The relevant regulations are The Income Tax (Approved Expenses) Regulations 2015 (S.I. 2015/1948).
- 4.3 The amendments to the principal regulations ensures that where a business expense is reimbursed to an employee pursuant to salary sacrifice arrangements or at an unapproved scale rate a liability for Class 1 NICs will arise.

Restricting the NICs disregard for travel and subsistence for those working through an employment intermediary

- 4.4 Legislation will be enacted in the Finance Bill 2016 which will introduce two new sections (339A and 688B) into ITEPA and a new chapter (Chapter 3B) into Part 4 of the Income Tax (Pay As You Earn) Regulations 2003 (S.I. 2003/2682). These provisions will restrict eligibility for tax relief on travel and subsistence (T&S) for those engaged through an employment intermediary from 6 April 2016.
- 4.5 These amendments replicate the changes introduced by new section 339A of ITEPA and ensure that the NICs disregard for T&S will be restricted in the same way following the introduction of the new rules on 6 April 2016.

Travel expenses of members of local authorities

- 4.6 Sections 235A and 295A of the ITEPA were inserted by section 29 of the Finance Act (No 2) 2015. They provide an exemption from income tax for qualifying payments made by a relevant authority in respect of travel expenses incurred by a member of the authority on a journey between home and permanent workplace. The exemption only applies where the member's home is within the authority area or within 20 miles of the boundary of the area.
- 4.7 Sections 235A(6) and 295A(4) of ITEPA set out that for the purposes of the exemption the Treasury may by regulations:
- specify bodies to be relevant authorities;
 - prescribe a description of a member of a relevant authority;
 - define a "qualifying payment".

The relevant regulations are the Income Tax (Travel Expenses of Members of Local Authorities etc.) Regulations 2016.

- 4.8 These amendments to the Principal Regulations ensures that there will be no Class 1 National Insurance contributions (NICs) liability when the income tax exemption applies.

Calculation of penalties for failures to make a tax return

- 4.9 Paragraph 21G(2) of Schedule 4 to the 2001 Regulations prevents HMRC from issuing penalties against taxpayers who fail to file certain types of NICs tax returns in the case where a taxpayer is already liable to a penalty for failing to file an associated tax return under the Income Tax (Pay as You Earn) Regulations 2003.

Consequential changes arising from the abolition of the contracted-out rebate as a result of the Pensions Act 2014

- 4.10 These changes are being made as a consequence of the changes made in Schedule 13 of the Pensions Act 2014 that abolish contracting-out for occupational pension schemes.

5. Extent and Territorial Application

- 5.1 This instrument extends to all of the United Kingdom.
5.2 This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

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

7. Policy background

What is being done and why

Introducing a Class 1 liability when paid or reimbursed business expenses, other than relevant motoring expenditure, are provided through salary sacrifice or at an unapproved scale rate

- 7.1 The measure was announced by the Chancellor at Budget 2014 as part of a package aimed at simplifying the administration of employee benefits in kind and expenses. This followed the Office for Tax Simplification's review of employee benefits in kind and expenses, and recommendations made in their interim and second reports published in August 2013, and January 2014.
- 7.2 This makes the administration of employee expenses simpler. It removes the reporting requirement and the requirement for employers to apply to HMRC for an agreement, known as a "dispensation," in order to pay qualifying expenses and benefits in kind free of tax. It also more closely aligns the tax rules to the existing NICs treatment of expenses payments.
- 7.3 This also prevents expenses being paid free of tax and NICs as part of a 'salary sacrifice' arrangement or at an unapproved scale rate. Salary sacrifice arrangements require the employee to give up a right to a part of their salary in exchange for the payment of those expenses, in order to reduce the NICs liabilities of both the employer and employee.
- 7.4 The dispensations process will no longer apply from 6 April 2016. Instead, an employer will determine for himself whether or not an expenses payment made to an employee meets the provisions in sections 289A or 289D of ITEPA and is therefore exempt from income tax. This eases the burden on employers of having to apply for a dispensation from HMRC and reporting qualifying expenses on form P11D. It also eases the burden for employees who would otherwise have had to claim tax relief from HMRC after the end of the tax year for expenses incurred on business.
- 7.5 This new tax exemption will not apply where expenses are paid or reimbursed subject to salary sacrifice arrangements or at an unapproved scale rate (except for approved mileage allowance payments).

- 7.6 The Income Tax (Approved Expenses) Regulations 2015 (S.I 2015/1948) set out the approved scale rates for meal allowances per day paid in respect of one instance of qualifying travel. Within the Income Tax (Approved Expenses) Regulations, qualifying travel means travel for which a deduction from the employee's earnings would be allowed under Chapter 2 or 5 of Part 5 of ITEPA. These Chapters relate to deductions for employee's expenses and deductions for earnings representing benefits or reimbursed expenses.
- 7.7 Regulations 4 and 5(2), (3)(a), (5), (6) (7) and 6 of these Regulations replicate the rules for NICs purposes such that any reimbursed business expense (other than payments for relevant motoring expenditure for NICs) paid pursuant to salary sacrifice as defined at section 289A (5) or 289D (2) of ITEPA, or at an unapproved scale rate, outside of that provided at regulation 2 of The Income Tax (Approved Expenses) Regulations 2015 are liable for Class 1 NICs.

Restricting the NICs disregard for travel and subsistence for those working through an employment intermediary

- 7.8 In some circumstances working through an employment intermediary can enable a worker to benefit from the application of a NICs disregard on their home-to-work travel and subsistence (T&S) expenses that they would not otherwise be entitled to receive.
- 7.9 This restriction is aimed at preventing temporary workers who are employed through employment intermediaries, and their employers, profiting from a NICs disregard for home-to-work expenses on what amounts to ordinary commuting. It is an established principle in the UK that people should not be able to receive relief on T&S expenses for their regular travel from home to work. In line with this principle, the ordinary commuting costs incurred by the vast majority of workers do not benefit from NICs disregard.
- 7.10 Where individuals are engaged through an employment intermediary (such as a umbrella company or recruitment agency), the NICs disregard available for T&S expenses will be restricted where they are under the supervision, direction or control of another person, in the manner they carry out their work. Workers who are not under supervision, direction or control in the manner that their work is undertaken and who are, therefore, akin to those who are self-employed, will still continue to be able to apply the NICs disregard on their T&S costs.
- 7.11 The NICs disregard for T&S expenses will be restricted for individuals working through personal service companies, where the existing intermediaries legislation, known as IR35, applies, unless they are a Managed Service Company, or would be if all remuneration was not being received as employment income.
- 7.12 Regulation 5(4) makes changes to the Principal Regulations that will put workers who are employed through an intermediary, on the same terms as other workers, who are contracted directly on a temporary agency contract.

Travel expenses of members of local authorities

- 7.13 Travel expenses paid to members of a local authority are generally subject to the current rules that govern the tax treatment of all employees and office-holders. Travel undertaken in the performance of the duties of the employment, or travel for the employee's necessary attendance at a temporary workplace, will generally qualify for

tax relief, but tax relief is not usually available for travel between an employee's home and a permanent workplace i.e. ordinary commuting.

- 7.14 To ensure that individuals are not discouraged from undertaking a role as a councillor by the tax treatment of their travel expenses, on 22 July 2014 the Government announced that it would introduce a tax exemption and NICs disregard where a local authority pays a member for travel expenses incurred, including expenses for journeys between the member's home and council offices.
- 7.15 The tax exemption will apply to qualifying payments made by a relevant authority to a member of that authority for travel expenses incurred on a journey between home and permanent workplace. 'Travel expenses' include any subsistence expenditure and other associated costs incurred in making the journey.
- 7.16 The Income Tax (Travel Expenses of Members of Local Authorities etc.) Regulations 2016 provide a definition of "relevant authority" as councils at each level of local government that may make qualifying payments to councillors in respect of travel expenses incurred. This includes county, district, community, parish, London borough and community councils and the Council of the Isles of Scilly. The Department will keep this definition under review.
- 7.17 A "qualifying payment" is defined as a payment by a relevant authority to a member of that authority, made under specified legislation. A qualifying payment must be made in connection with activities undertaken by the member on behalf of their relevant authority.
- 7.18 A qualifying payment made by a relevant authority to a member of the authority in respect of travel expenses incurred in using public transport, including expenses for a journey between home and permanent workplace, will be exempt from tax.
- 7.19 Where a qualifying payment is made by a relevant authority to a member of the authority for using their own vehicle to undertake a journey between their home and permanent workplace (a qualifying journey), the tax exemption will be restricted to the Approved Mileage Allowance Payment (AMAP) rates. Where the authority pays less than the AMAP rate, or no payment at all, Mileage Allowance Relief (MAR) will not be due in respect of qualifying journeys. The tax exemption will also apply to qualifying payments made in respect of passengers up to the approved amount for passenger payments, but only where the passenger is also a member of the authority. Regulation 5(8) ensures this disregard will replicate the rules for NICs purposes.
- 7.20 The tax exemption will not apply to expenses incurred on journeys between the member's home and permanent workplace where the member's home is more than 20 miles outside the boundary of the authority area.

Calculation of penalties for failures to make a tax return

- 7.21 The provision to prevent double penalties in Schedule 4 to the 2001 Regulations was not intended to prevent HMRC from issuing penalties against taxpayers who fail to file a tax return within 3 months of the due date (known as an "extended failure"). The penalty for an extended failure is 5% of any liability which would have been shown in the relevant return. Regulation 7 therefore clarifies that the provision does not apply to extended failure penalties for NICs returns.

Consequential changes arising from the abolition of the contracted-out rebate as a result of the Pensions Act 2014

- 7.22 Employees who are members of salary related occupational pension schemes currently receive a 1.4% rebate (known as the “contracted-out rebate”) on payments of Class 1 National Insurance Contributions (NICs) if their employer makes an election to contract-out of the State Second Pension. Where this is the case, their employer will also receive a 3.4% rebate on NICs paid in respect of that employee. The rebate is calculated on the employee’s earnings between the Lower Earnings Limit, currently £112 per week, and the Upper Accrual Point (UAP) which is fixed at £770 per week. Those who pay NICs at the contracted-out rate receive only the basic State Pension and do not build up entitlement to the State Second Pension.
- 7.23 From 6 April 2016, the Pensions Act 2014 ends the two-tier pension system, by introducing a flat rate new State Pension and abolishes the contracted-out rebate for both employees and employers.
- 7.24 Part 2 of these regulations amend the Principal Regulations to take account of the abolition of the contracted-out rebate.
- 7.25 Regulation 9 amends regulation 6 of the Principal Regulations so as to remove the rules relating to the aggregation of earnings from separate employments where one or more of these employments is contracted-out. Where a person has more than one job, each employment is treated separately for the purposes of calculating the amount of NICs payable. The exception to this is where the person has two contracts with the same employer or with two employers who are carrying on business association, in which case special NICs rules allow for the employments to be treated as one and the earnings to be aggregated. There are also special rules to determine the amount of NICs payable where earnings are aggregated but the intervals at which earnings from the separate employments are paid differ (for example weekly and monthly). Currently these rules take into account whether the employment is contracted-out, however Regulation 3 removes this as it will no longer be necessary.
- 7.26 Regulation 10 amends regulation 11 of the Principal Regulations which sets out the prescribed equivalents of the NICs limits and thresholds including the Upper Accrual Point for those individuals paid other than weekly, as the UAP is being abolished from 6 April 2016, Regulation 11 also removes the prescribed equivalent of the UAP.
- 7.27 Regulation 11 amends regulation 12 of the Principal Regulations to remove the requirement to calculate contracted-out and normal earnings related contributions separately.
- 7.28 Regulations 12 and 15 amend regulations 21 and 100 of the Principal Regulations as they no longer need to refer to contracted-out contributions. Class 1 NICs are payable by employees at the Class 1 main rate of 12% on earnings up to the Upper Earnings Limit (UEL). Class 4 NICs are payable by the self-employed at the Class 4 main rate of 9% up to the Upper Profits Limits (UPL). Any earnings or profits that exceed the UEL/UPL are paid at 2%. Regulations 21 and 100 of the Principal Regulations set out the maximum amount of NICs that can be paid at the main rate and are being amended so that they no longer take account of the possibility that a person has paid some or all of their Class 1 NICs at the contracted-out rate.
- 7.29 Regulation 13 amends regulation 52A of the Principal Regulations so as to remove the rules relating to refunds of NICs paid at the contracted-out rate. Where a person has more than one job or is employed and self-employed in the same tax year each

employment and any self-employment is treated separately for the purposes of calculating the amount of NICs payable. Where, as a result of this, a person pays overall NICs which exceed the annual maximum Regulation 52A of the Principal Regulations sets out the formula for calculating any refund.

- 7.30 Regulation 14 removes regulation 54 of the Principal Regulations so as to remove the rules relating to an employer paying Class 1 NICs at the not contracted-out rate and requiring a refund of the rebate amount (as the rebate will no longer exist from April 2016).
- 7.31 Regulation 16 removes references to contracted-out contributions for mariners.
- 7.32 Regulation 17 amends regulation 155A(2) of the Principal Regulations which allows decisions to be made regarding late applications for the refund of Class 1 contributions paid at the non-contracted out rate.
- 7.33 Regulation 18 provides that from 6 April 2016 employers will report earnings from the Primary Threshold (the rate at which Class 1 NICs become payable by an employee) to the UEL. Under Real Time Information (RTI), employers currently report earnings from the Primary Threshold to UAP and the UAP to the UEL. This will no longer be necessary following abolition of the UAP.
- 7.34 Regulation 19 removes the need for employers to report reference information (the Pension Scheme Contracted-out Number and Employer's Contracted-out Number) where an employment is contracted-out. This will no longer need to be reported once the contracted-out contribution rates have been abolished.

Consolidation

- 7.35 There are no plans to consolidate the Principal Regulations.

8. Consultation outcome

Introducing a Class 1 liability when paid or reimbursed business expenses, other than relevant motoring expenditure, are provided through salary sacrifice or at an unapproved scale rate

- 8.1 Although the regulations about business expenses provided through salary sacrifice to which this memorandum refers have not been published in draft, the Government has consulted on the changes. The consultation and responses document is here: <https://www.gov.uk/government/consultations/employee-benefits-and-expenses-exemption-for-paid-or-reimbursed-expenses>

Restricting the NICs disregard for travel and subsistence for those working through an employment intermediary

- 8.2 Although the regulations to which this memorandum refers have not been published in draft, the new sections 339A and 688B and the new Chapter 3B of ITEPA were subject to consultation. The legislative draft 'Travel expenses of workers providing services through intermediaries' was published on the GOV.UK website for comment from 9 December 2015 until 3 February 2016.

Travel expenses of members of local authorities

- 8.3 Although the regulations to which this memorandum refers have not been published in draft, new sections 235A and 295A ITEPA were subject to consultation in accordance

with the Government's Tax Consultation Framework. The draft Income Tax (Travel Expenses of Members of Local Authorities) Regulations 2015 were published on the GOV.UK website for comment from 19 January 2015 to 16 March 2015.

Calculation of penalties for failures to make a tax return

- 8.4 As this amendment clarifies existing policy, consultation was not considered necessary.

Consequential changes arising from the abolition of the contracted-out rebate as a result of the Pensions Act 2014

- 8.5 The Department for Work and Pensions published a White Paper on the 14 January 2013 ("The Single-tier pension: a simple foundation for saving") with proposals for a simpler State Pension. This included the abolition of contracted-out contribution rates.

9. Guidance

Introducing a Class 1 liability when paid or reimbursed business expenses, other than relevant motoring expenditure, are provided through salary sacrifice or at an unapproved scale rate

- 9.1 Guidance will be updated for the NICs treatment of business expenses when the exemption comes into effect.

Restricting the NICs disregard for travel and subsistence for those working through an employment intermediary

- 9.2 Guidance will be made available when the restrictions to travel and subsistence for those engaged through an employment intermediary are introduced.

Travel expenses of members of local authorities

- 9.3 Guidance will be made available when the exemption comes into effect.

Calculation of penalties for failures to make a tax return

- 9.4 No changes to guidance are necessary.

Consequential changes arising from the abolition of the contracted-out rebate as a result of the Pensions Act 2014

- 9.5 Guidance has been published on the changes relating to employer reporting requirements due to the abolition of contracted-out contribution rates. Internal guidance will be amended to take account of the abolition of the contracted-out contribution rates.

10. Impact

Introducing a Class 1 liability when paid or reimbursed business expenses, other than relevant motoring expenditure, are provided through salary sacrifice or at an unapproved scale rate

- 10.1 This measure will reduce the administrative burden for businesses that pay qualifying expenses or provide qualifying benefits in kind to their employees. Businesses will no longer need to apply for a dispensation for qualifying expenses or report qualifying

expenses on P11Ds. This is expected to affect 170,000 to 200,000 businesses. HMRC anticipates an administrative burden reduction of £9.3 million per year. HMRC also anticipates a negligible one off familiarisation cost.

- 10.2 As a consequence of the change, it is expected that some employers whose employees use salary sacrifice on expenses will have a higher secondary Class 1 NICs liability.
- 10.3 A Tax Information and Impact Note was published on 10 December 2014 alongside the draft clause and explanatory notes for Finance Bill 2015 and is available on the GOV.UK website at <https://www.gov.uk/government/publications/income-tax-simplifying-the-administration-of-employee-expenses-including-salary-sacrifice>

Restricting the NICs disregard for travel and subsistence for those working through an employment intermediary

- 10.4 The impact on businesses, charities or voluntary bodies is negligible.
- 10.5 The impact on the public sector is minor.
- 10.6 A Tax Information and Impact Assessment covering this instrument has been published and is available on the GOV.UK website at <https://www.gov.uk/government/publications/income-tax-employment-intermediaries-and-relief-for-travel-and-subsistence>. It remains an accurate summary of the impacts that apply to this instrument.

Travel expenses of members of local authorities

- 10.7 There is not expected to be any impact on business, charities or voluntary bodies.
- 10.8 There are likely to be implementation costs for relevant authorities due to the need to change some internal processes, but there will be ongoing administrative savings once implementation is complete.
- 10.9 A Tax Information and Impact Note covering this instrument was published on the website at <https://www.gov.uk/government/publications/tax-exemption-for-travel-expenses-of-members-of-local-authorities> on 10th December 2014 alongside the draft Finance Bill. It remains an accurate summary of the impacts that apply to this instrument.

Calculation of penalties for failures to make a tax return

- 10.10 The impact on business, charities or voluntary bodies is negligible.
- 10.11 The impact on the public sector is negligible.
- 10.12 An Impact Assessment has not been prepared for this instrument because no impact on the private or voluntary sector is foreseen.

Consequential changes arising from the abolition of the contracted-out rebate as a result of the Pensions Act 2014

- 10.13 The impact on business, charities or voluntary bodies is negligible.
- 10.14 The impact on the public sector is negligible.
- 10.15 A Tax Information and Impact Assessment covering this instrument has been published and is available on the GOV.UK website.

<https://www.gov.uk/government/publications/national-insurance-contributions-reporting-requirements-for-employers-on-the-abolition-of-the-contracted-out-rebate/national-insurance-contributions-reporting-requirements-for-employers-on-the-abolition-of-the-contracted-out-rebate>.

It covers the changes to the reporting requirements under RTI and not the increase in NICs rates arising for the abolition of contracted-out contribution rates which was covered in the Pensions Act 2014 impact assessment.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/254151/a-pensions-bill-single-tier-ia-oct-2013.pdf

11. Regulating small business

Introducing a Class 1 liability when paid or reimbursed business expenses, other than relevant motoring expenditure, are provided through salary sacrifice or at an unapproved scale rate

- 11.1 The legislation applies to activities that are undertaken by small business. The impact of this measure on small businesses is not anticipated to differ from that on large businesses.

Restricting the NICs disregard for travel and subsistence for those working through an employment intermediary

- 11.2 The legislation applies to activities that are undertaken by small businesses, but is expected to have a minor impact.

Travel expenses of members of local authorities

- 11.3 The legislation does not apply to activities that are undertaken by small business.

Calculation of penalties for failures to make a tax return

- 11.4 The legislation applies to activities that are undertaken by small businesses in circumstances where they fail to file returns on time.

Consequential changes arising from the abolition of the contracted-out rebate as a result of the Pensions Act 2014

- 11.5 These changes are expected to have a negligible impact on activities that are undertaken by small businesses. The changes will need to be incorporated into all employer's payroll process, but this will be part of annual updates to National Insurance parameters.

12. Monitoring & review

Introducing a Class 1 liability when paid or reimbursed business expenses, other than relevant motoring expenditure, are provided through salary sacrifice or at an unapproved scale rate

- 12.1 The measure will be monitored and assessed alongside other measures in the Government's package of employee BIKs and expenses simplifications, through communication with taxpayer groups affected by the measures.

Restricting the NICs disregard for travel and subsistence for those working through an employment intermediary

- 12.2 The measure will be kept under review through communication with affected groups.

Travel expenses of members of local authorities

- 12.3 The Regulations will be monitored and reviewed as appropriate within the context of the wider tax framework.

Calculation of penalties for failures to make a tax return

- 12.4 As this Regulation clarifies existing policy, no review or monitoring is considered necessary.

Consequential changes arising from the abolition of the contracted-out rebate as a result of the Pensions Act 2014

- 12.5 These are minor changes and will not be subject to review.

13. Contact

Introducing a Class 1 liability when paid or reimbursed business expenses, other than relevant motoring expenditure, are provided through salary sacrifice or at an unapproved scale rate and

Travel expenses of members of local authorities

- 13.1 Raj Nayyar at HMRC, Tel: 03000 586543 or e-mail: raj.nayyar@hmrc.gsi.gov.uk can answer any queries regarding the treatment of expenses payments and payments made to members of local authorities.

Restricting the NICs disregard for travel and subsistence for those working through an employment intermediary.

- 13.2 Philip Horswill at HM Revenue and Customs, Tel: 03000 518361 or e-mail: Philip.horswill@hmrc.gsi.gov.uk can answer queries regarding the restrictions to travel and subsistence expenses for those engaged through an employment intermediary.

Calculation of penalties for failures to make a tax return

- 13.3 Adrian Morton at the Her Majesty's Revenue and Customs, Tel: 03000 586 434 or email: Adrian.morton@hmrc.gsi.gov.uk can answer any queries regarding the calculation of penalties for failures to make a tax return.

Consequential changes arising from the abolition of the contracted-out rebate as a result of the Pensions Act 2014

- 13.4 Hasan Mustafa at HM Revenue & Customs, Tel: 03000 586 718 or e-mail: hasan.mustafa@hmrc.gsi.gov.uk can answer any queries regarding the changes to arising from the abolition of the contracted out rebate.