
EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations make a number of amendments to the Social Security (Contributions) Regulations 2001 (S.I. 2001/1004) (“the Contributions Regulations”) and the Social Security (Categorisation of Earners) Regulations 1978 (S.I. 1978/1689) (“the Categorisation Regulations”).

Regulation 3 inserts new regulation 40B into the Contributions Regulations to exempt the secondary contributor from liability to pay Class 1A National Insurance contributions for the tax year 2017-18 in respect of sporting testimonial payments in circumstances where such payments are made by the controller of an independent sporting testimonial committee.

Regulation 4 amends Part 6 of Schedule 3 to the Contributions Regulations which lists categories of payments which are disregarded in the calculation of liability to Class 1 National Insurance contributions. A new paragraph 13 is inserted into Part 6 of the Schedule, which introduces a disregard for payments and reimbursements of costs incurred by or in respect of employees, former employees or prospective employees for the purpose of obtaining pensions advice. It is limited to £500 of costs per employment or former employment in a tax year. To be within the scope of the disregard, the payment or reimbursement must be made under a scheme that is open either to an employer’s employees generally; generally to its employees at a particular location; or to such employees from either of those groups who satisfy a qualifying age or ill-health condition set out in the new paragraph.

Regulation 5 inserts new paragraphs 14 and 15 into Part 3 of Schedule 1 to the Categorisation Regulations so as to exempt certain employees of the International Finance Corporation and the Asian Infrastructure Investment Bank from liability to pay primary Class 1 National Insurance contributions. In order to qualify for the exemption employees must: (a) already be exempt from tax on their employment income under an international agreement signed by the United Kingdom and brought into legal force by an Order in Council and (b) also be members of a scheme set up by their employer which provides for a pension or any other benefit once the employment has ceased.

A Tax Information and Impact Note covering the amendment made by regulation 3 (sporting testimonials) was published at <https://www.gov.uk/government/publications/income-tax-update-to-treatment-of-income-from-sporting-testimonials/income-tax-update-to-treatment-of-income-from-sporting-testimonials> on 16th March 2016 alongside the draft Finance Bill. It remains an accurate summary of the impacts that apply to this instrument.

A Tax Information and Impact Note covering the amendment made by regulation 4 (pensions advice disregard) was published on 5th December 2016 in respect of the introduction of a corresponding exemption for income tax purposes, and is available at <https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins>. It remains an accurate summary of the impacts that apply to this instrument.

No impact assessment has been prepared for the amendment to the Categorisation Regulations (regulation 5) as it has no impact on business or civil society organisations.