

EXPLANATORY MEMORANDUM TO
THE SOCIAL SECURITY (CONTRIBUTIONS) (RE-RATING) CONSEQUENTIAL
AMENDMENT REGULATIONS 2017

2017 No. 416

1. Introduction

- 1.1 This explanatory memorandum has been prepared by HM Revenue and Customs and is laid before Parliament by Command of Her Majesty.

2. Purpose of the instrument

- 2.1 The purpose of this instrument is to make a consequential amendment to the special rate of Class 2 National Insurance contributions (NICs) payable by share fishermen from 6 April 2017.

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

- 4.1 The Social Security (Contributions) (Rates, Limits and Thresholds Amendments and National Insurance Funds Payments) Regulations 2017, approved by the House of Commons and House of Lords on the 14th March 2017 and 13th March 2017 respectively, increased the rate of Class 2 NICs to £2.85 per week. As a consequence, the special rate of Class 2 NICs payable by share fishermen will increase from £3.45 to £3.50 per week from 6 April 2017.
- 4.2 An amendment is required to regulation 125(c) of the Social Security (Contributions) Regulations 2001 (S.I. 2001/1004) (modification of the provisions of the Social Security Contributions Act 1992 in relation to share fishermen). These amendments are made under powers contained in sections 117(1) and 175(3) of the Social Security Contributions and Benefits Act 1992, and the corresponding powers for Northern Ireland.

5. Territorial Extent and Application

- 5.1 The extent of this instrument is the United Kingdom.
- 5.2 The territorial application of this instrument is the United Kingdom.

6. European Convention on Human Rights

- 6.1 As the 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

- 7.1 At Budget 2011 it was announced that the basis for indexation of the weekly Class 2 NICs contribution rates would be by reference to the Consumer Price Index (CPI). The increase in CPI for the year to September 2016 was 0.98%.
- 7.2 Share fishermen pay a special rate of Class 2 NICs that entitles them to receive Contribution-based Jobseeker's Allowance for periods of inactivity (normally in the winter months). It is based on the ordinary rate of Class 2 NICs with a loading to cover Contribution-based Jobseeker's Allowance, for which payment of ordinary Class 2 NICs does not give entitlement. This change is necessary because of the CPI increase to the weekly rate of ordinary Class 2 NICs.

Consolidation

- 7.3 These amendments will make only a small amendment to the Social Security (Contributions) Regulations 2001. Consolidation is not being considered at this time.

8. Consultation outcome

- 8.1 There was no consultation because the instrument relates to routine changes to rates, limits and thresholds as part of the annual NICs re-rating exercise.

9. Guidance

- 9.1 These consequential Regulations do not impose a new obligation.
- 9.2 The NICs rates, limits and thresholds from 6 April 2017 were announced on 23 November 2016 in the Autumn Statement and can be found on the GOV.UK website on the following link: <https://www.gov.uk/government/publications/tax-and-tax-credit-rates-and-thresholds-for-2017-18/tax-and-tax-credit-rates-and-thresholds-for-2017-18>.

10. Impact

- 10.1 There is no impact on business, charities or voluntary bodies.
- 10.2 There is no impact on the public sector.
- 10.3 A Tax Information and Impact Note has not been prepared for this instrument as it gives effect to previously announced policy and it relates to routine changes to rates, limits and thresholds.

11. Regulating small business

- 11.1 The change to the special rate of Class 2 contributions payable by share fishermen apply to small businesses in so far as the proprietor(s) are self-employed. These small businesses will need to acquaint themselves with the new rate in order to calculate their National Insurance liabilities from 6 April 2017. These changes have no impact on employees.

12. Monitoring & review

- 12.1 These consequential regulations make changes to the special rate of Class 2 contributions payable by share fishermen and will not be subject to specific monitoring and review.

13. Contact

- 13.1 Oliver Mathers at HM Revenue and Customs oliver.mathers@hmrc.gsi.gov.uk can answer any queries regarding the instrument.