
EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations make amendments to the Social Security (Contributions) Regulations 2001 (S.I. 2001/1004) (“the 2001 Regulations”) in order to implement the provisions of the National Insurance Contributions (Termination and Sporting Testimonials) Act 2019 (c.23). This Act made amendments to the Social Security Contributions and Benefits Act 1992 (c. 4) and the Social Security Contributions and Benefits (Northern Ireland) Act (c. 7) so as to provide that from 6th April 2020 onwards Class 1A contributions are chargeable on:

- termination awards that exceed the £30,000 which count as employment income under section 403 of the Income Tax (Earnings and Pensions) Act 2003 (c.1) (“ITEPA 2003”) and
- sporting testimonial payments which are treated as taxable earnings under section 226E and section 306B of ITEPA 2003.

Regulation 1 provides for citation, commencement and effect.

Regulation 2 introduces the amendments to the 2001 Regulations.

Regulation 3 inserts new definitions into the 2001 Regulations relating to sporting testimonial payments.

Regulation 4 revokes regulation 40B with savings as it is now replaced by sections 10ZBA of the Social Security Contributions and Benefits Act 1992 and the Social Security Contributions and Benefits (Northern Ireland) Act 1992.

Regulations 5 and 6 make amendments to regulations 71 and 80 in consequence of regulation 7.

Regulation 7 inserts new regulations 40C and 40D. These new regulations make special provisions for reporting, paying and collecting Class 1A contributions due on termination awards and sporting testimonial payments.

Regulation 8 inserts two new paragraphs into Schedule 4A which deals with the information that must be provided to HMRC under the Real Time Information (RTI) reporting system regarding termination awards and sporting testimonials. These items must be reported to HMRC under the RTI system with the exception of termination awards and sporting testimonials paid in the circumstances described in regulations 40C(5) and 40D(5).

Tax Impact and Information Notes were published on these measures when the primary legislation was introduced to Parliament and are available at <https://www.gov.uk/government/publications/income-tax-and-national-insurance-contributions-treatment-of-termination-payments/income-tax-and-national-insurance-contributions-treatment-of-termination-payments> and <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>. They remain an accurate summary of the impacts that apply to this instrument.