

EXPLANATORY MEMORANDUM TO
THE SOCIAL SECURITY (CONTRIBUTIONS) (RE-RATING) CONSEQUENTIAL
AMENDMENT REGULATIONS 2020

2020 No. 303

1. Introduction

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

2. Purpose of the instrument

- 2.1 This instrument makes a consequential amendment to the special rate of Class 2 National Insurance contributions (NICs) payable by share fishermen, as set out in regulation 125(c) of the Social Security (Contributions) Regulations 2001 (S.I. 2001/1004) (“the Contributions Regulations”). The amendment has effect from 6 April 2020.

3. Matters of special interest to Parliament

Matters of special interest to the Joint Committee on Statutory Instruments

- 3.1 None.

Matters relevant to Standing Orders Nos. 83P and 83T of the Standing Orders of the House of Commons relating to Public Business (English Votes for English Laws)

- 3.2 As the instrument is subject to negative resolution procedure there are no matters relevant to Standing Orders Nos. 83P and 83T of the Standing Orders of the House of Commons relating to Public Business at this stage.

4. Extent and Territorial Application

- 4.1 The territorial extent of this instrument is the United Kingdom.
4.2 The territorial application of this instrument is the United Kingdom.

5. European Convention on Human Rights

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

6. Legislative Context

- 6.1 The Social Security (Contributions) (Rates, Limits and Thresholds Amendments and National Insurance Funds Payments) Regulations 2020 increased the rate of Class 2 NICs to £3.05 per week.
6.2 As a consequence, the special rate of Class 2 NICs payable by share fishermen will increase from £3.65 per week, to £3.70 per week.
6.3 The Secretary of State for Work and Pensions and the Northern Ireland Department for Communities have concurred to the making of the final text of this instrument.

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 rates would be by reference to the Consumer Price Index (CPI). The increase in CPI for the year to September 2019 was 1.7%.
- 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.

8. European Union (Withdrawal) Act/Withdrawal of the United Kingdom from the European Union

- 8.1 This instrument does not relate to withdrawal from the European Union.

9. Consolidation

- 9.1 This instrument will make only a small amendment to the Contributions Regulations. Consolidation is not being considered at this time.

10. Consultation outcome

- 10.1 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.

11. Guidance

- 11.1 Guidance is not required as these consequential Regulations do not impose a new obligation. The NICs rates, limits and thresholds from 6 April 2020 were announced on 30 January 2020. They can be found on the GOV.UK website at:
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/872423/Overview_of_Tax_Legislation_and_Rates_2020.pdf

12. Impact

- 12.1 There is no, or no significant, impact on business, charities or voluntary bodies.
- 12.2 There is no, or no significant, impact on the public sector.
- 12.3 An Impact Assessment has not been prepared for this instrument because it gives effect to previously announced policy and it relates to routine changes to rates, limits and thresholds.

13. Regulating small business

- 13.1 The change to the special rate of Class 2 contributions payable by share fishermen applies to activities that are undertaken by small businesses in so far as the proprietors 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 2020. These changes have no impact on employees.

14. Monitoring & review

- 14.1 This instrument makes changes to existing rates and will not be subject to specific monitoring and review.
- 14.2 The instrument does not include a statutory review clause because it relates to a tax, duty, levy or other charge and therefore meets the requirements of the exemption set out in section 28(3)(a) of the Small Business, Enterprise and Employment Act 2015.

15. Contact

- 15.1 Muhammad Chaudhary at HM Revenue and Customs Telephone: 03000 534 629 or email: muhammad.chaudhary@hmrc.gov.uk can be contacted with any queries regarding the instrument.
- 15.2 Rachel Nixon, Deputy Director for National Insurance, at HM Revenue and Customs can confirm that this Explanatory Memorandum meets the required standard.
- 15.3 The Rt Hon Jesse Norman MP, Financial Secretary to the Treasury can confirm that this Explanatory Memorandum meets the required standard.