

EXPLANATORY MEMORANDUM TO
THE SOCIAL SECURITY (CONTRIBUTIONS) (AMENDMENT NO.2)
REGULATIONS 2022

2022 No. 416

1. Introduction

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

2. Purpose of the instrument

- 2.1 The purpose of this instrument is to increase the Married Women’s Reduced Rate (MWRR) of primary Class 1 National Insurance Contributions (NICs) by 1.25 percentage points for the 2022-23 tax year. This is in consequence of the temporary increase to Class 1, 1A, 1B and 4 NICs rates for the 2022-23 tax year made by the Health and Social Care Levy Act 2021 (“the Act”).

3. Matters of special interest to Parliament

Matters of special interest to the Joint Committee on Statutory Instruments

- 3.1 None.

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 United Kingdom.

5. European Convention on Human Rights

- 5.1 The Financial Secretary to the Treasury, Lucy Frazer QC, has made the following statement regarding Human Rights:

“In my view the provisions of the Social Security (Contributions) (Amendment No. 2) Regulations 2022 are compatible with the Convention rights.”

6. Legislative Context

- 6.1 Regulation 131 of the Social Security (Contributions) Regulations 2001 (S.I. 2001/1004) specifies the reduced rate of Class 1 primary (employee) NICs paid by married women with a reduced rate election under regulations 127 to 130 of that instrument.

7. Policy background

What is being done and why?

- 7.1 The Health and Social Care Levy Act 2021 provides for a temporary increase in the rate of Class 1, 1A, 1B and 4 NICs by 1.25 percentage points. It is necessary to adjust the MWRR accordingly.

7.2 This instrument ensures that the MWRR is also temporarily increased by 1.25 percentage points for the 2022-23 tax year, prior to the introduction of the Health and Social Care Levy as a separate tax from April 2023. This is in line with pre-announced policy and ensures that there is a consistent approach to all NICs payers.

8. European Union Withdrawal and Future Relationship

8.1 This instrument does not relate to withdrawal from the European Union / trigger the statement requirements under the European Union (Withdrawal) Act.

9. Consolidation

9.1 Consolidation is not being considered at this time because it is a temporary change for one year.

10. Consultation outcome

10.1 There was no consultation because these changes are in line with the rate increases introduced as part of the Act.

11. Guidance

11.1 Guidance on the Health and Social Care Levy and the transitional arrangements have been published on GOV.UK at <https://www.gov.uk/guidance/prepare-for-the-health-and-social-care-levy>.

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 A Tax Information and Impact Note covering this instrument was published alongside the Health and Social Care Levy Bill (in session 2021-2022) and is available on the website at <https://www.gov.uk/government/publications/health-and-social-care-levy/health-and-social-care-levy>. It remains an accurate summary of the impacts that apply to this instrument.

13. Regulating small business

13.1 The legislation applies to activities that are undertaken by small businesses as they are required to run payroll.

13.2 To minimise the impact of the requirements on small businesses (employing up to 50 people), the approach taken is to publish clear guidance to support employers.

14. Monitoring & review

14.1 This instrument makes a small and temporary change to the MWRR and will not be subject to specific monitoring and review.

14.2 This 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 Leonardo Kellaway at HMRC Telephone: 0300 051 7325 or email: leonardo.kellaway@hmrc.gov.uk can be contacted with any queries regarding the instrument.
- 15.2 Edmund Hair, Deputy Director for National Insurance Policy, International and Student Finance at HMRC can confirm that this Explanatory Memorandum meets the required standard.
- 15.3 The Rt Hon Lucy Frazer QC MP, Financial Secretary to the Treasury, can confirm that this Explanatory Memorandum meets the required standard.