

*Draft Order laid before Parliament under sections 141(3) and 190(1) of the Social Security Administration Act 1992, section 166(10A) of the Social Security Administration (Northern Ireland) Act 1992, section 2(8) of the Social Security Act 1993 and Article 4(8) of the Social Security (Northern Ireland) Order 1993, for approval by resolution of each House of Parliament.*

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DRAFT STATUTORY INSTRUMENTS

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**2004 No.**

**SOCIAL SECURITY**

**The Social Security (Contributions) (Re-rating and  
National Insurance Funds Payments) Order 2004**

*Made* - - - - 2004  
*Coming into force* - - 6th April 2004

Whereas the Treasury, as a result of carrying out in the tax year 2003-04 a review of the general level of earnings in Great Britain pursuant to section 141(1) and (2) of the Social Security Administration Act 1992<sup>(1)</sup> (“the Administration Act”), have determined that an Order should be made under that section amending Part 1 of the Social Security Contributions and Benefits Act 1992<sup>(2)</sup> by altering the rates of Class 2 and Class 3 contributions, the amount of earnings below which an earner may be excepted from liability for Class 2 contributions and the lower and upper limits of profits or gains to be taken into account for Class 4 contributions:

And whereas this Order makes provision corresponding to that mentioned in the preceding recital pursuant to section 129 of the Social Security Administration (Northern Ireland) Act 1992<sup>(3)</sup>:

And whereas the Treasury, with a view to adjusting the level at which the National Insurance Fund stands for the time being and having regard to estimated benefit expenditure for the financial year ending 31st March 2005, think it expedient that an Order should be made under section 2(2) of the Social Security Act 1993 (“the 1993 Act”)<sup>(4)</sup>:

And whereas the Treasury, with a view to adjusting the level at which the Northern Ireland National Insurance Fund stands for the time being and having regard to estimated benefit expenditure for the financial year ending 31st March 2005, think it expedient that an Order should be made under Article 4(3) of the Social Security (Northern Ireland) Order 1993 (“the 1993 Order”)<sup>(5)</sup>:

And whereas a draft of this Order was laid before Parliament in accordance with the provisions of sections 141(3) and 190(1) of the Administration Act, section 166(10A) of the Social Security

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(1) 1992 c. 5; subsections (1) and (2) were amended by paragraph 44(2) and (3) of Schedule 3 to the Social Security Contributions (Transfer of Functions, etc.) Act 1999 (c. 2) (“the Transfer Act”).  
(2) 1992 c. 4.  
(3) 1992 c. 8; the relevant amendment to section 129 is that made by paragraph 43 of Schedule 3 to the Social Security Contributions (Transfer of Functions, etc.) (Northern Ireland) Order 1999 (S.I. 1999/671) (“the Transfer Order”).  
(4) 1993 c. 3; section 2 was amended by paragraph 60 of Schedule 3 to the Transfer Act.  
(5) S.I. 1993/592 (N.I.2); Article 4(3) was amended by paragraph 52(2) of Schedule 3 to the Transfer Order.

Administration (Northern Ireland) Act 1992(6), section 2(8) of the 1993 Act and Article 4(8) of the 1993 Order(7) and approved by resolution of each House of Parliament:

Now therefore the Treasury, in exercise of the powers conferred upon them by sections 141(4) and (5), 142(2) and (3), 143(1) and (3) and 144(2) of the Administration Act(8), sections 129 and 165(11A) of the Social Security Administration (Northern Ireland) Act 1992(9), section 2(2) of the 1993 Act and Article 4(3) of the 1993 Order and now vested in them(10), make the following Order:

### Citation, commencement and interpretation

1.—(1) This Order may be cited as the Social Security (Contributions) (Re-rating and National Insurance Funds Payments) Order 2004 and shall come into force on 6th April 2004.

(2) In this Order—

“the Act” means the Social Security Contributions and Benefits Act 1992; and

“the Northern Ireland Act” means the Social Security Contributions and Benefits (Northern Ireland) Act 1992.(11)

### Rate of and small earnings exception from Class 2 contributions

2. In both section 11 of the Act(12) and section 11 of the Northern Ireland Act(13) (Class 2 contributions)—

(a) in subsection (1) (weekly rate) for “£2.00” substitute “£2.05”; and

(b) in subsection (4) (small earnings exception) for “£4,095” substitute “£4,215”.

### Amount of Class 3 contributions

3. In both section 13(1) of the Act(14) and section 13(1) of the Northern Ireland Act(15) (amount of Class 3 contributions) for “£6.95” substitute “£7.15”.

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- (6) Section 166(10A) was inserted by paragraph 50(4) of Schedule 3 to the Transfer Order. Subsection (11A) of section 165 of the Social Security Administration Act 1992 (which provides that regulations and orders made by the Treasury under the Act are statutory instruments) was inserted by paragraph 49(4) of Schedule 3 to the Transfer Order.
- (7) Article 4(8) was substituted by paragraph 52(5) of Schedule 3 to the Transfer Order.
- (8) Section 141(4) and (5) was amended by paragraph 16 of Schedule 1 to the National Insurance Contributions Act 2002 (c. 19). Section 142(2) was amended by paragraph 45(3) of Schedule 3 to the Transfer Act. Section 143(1) was amended by paragraph 90(1) of Schedule 7 to the Social Security Act 1998 (c. 14), paragraph 46(2) of Schedule 3 to the Transfer Act and paragraph 17(2) of Schedule 1 to the National Insurance Contributions Act 2002 and subsection (3) of that section was amended by paragraph 46(3) of Schedule 3 to the Transfer Act. Section 144(2) was amended by paragraph 91 of Schedule 7 to the Social Security Act 1998 and Part 6 of Schedule 13 to the Welfare Reform and Pensions Act 1999 (c. 30).
- (9) Section 165(11A) was inserted by paragraph 49(4) of Schedule 3 to the Transfer Order.
- (10) See paragraphs 44 to 46, 48, 57 and 60 of Schedule 3 to the Transfer Act and paragraphs 43, 49, 50 and 52 of Schedule 3 to the Transfer Order.
- (11) 1992 c. 7.
- (12) Section 11 was amended by paragraph 12 of Schedule 3 to the Transfer Act. The figure in subsection (1) was last substituted by article 2(a) of S.I. 2000/755 and the figure in subsection (4) was last substituted by article 2 of S.I. 2003/963.
- (13) Section 11 was amended by paragraph 13 of Schedule 3 to the Transfer Order. The figure in subsection (1) was last substituted by article 2(a) of S.I. 2000/755 and the figure in subsection (4) was last substituted by article 2 of S.I. 2003/963.
- (14) Section 13 was amended by paragraph 14 of Schedule 3 to the Transfer Act and the figure in subsection (1) was last substituted by article 3 of S.I. 2003/963.
- (15) Section 13 was amended by paragraph 15 of Schedule 3 to the Transfer Order and the figure in subsection (1) was last substituted by article 3 of S.I. 2003/963.

#### **Lower and upper limits for Class 4 contributions**

4. In each of sections 15(3), 18(1) and 18(1A) of the Act(16) and sections 15(3), 18(1) and 18(1A) of the Northern Ireland Act(17) (Class 4 contributions recoverable under the Income Tax Acts and under regulations)—

- (a) for “£4,615” (lower limit) in each place where it appears, substitute “£4,745”; and
- (b) for “£30,940” (upper limit) in each place where it appears, substitute “£31,720”.

#### **Prescribed percentage of estimated benefit expenditure – Great Britain**

5. Section 2(2) of the Social Security Act 1993 (payments into the National Insurance Fund out of money provided by Parliament) shall have effect with respect to the tax year 2004-05 and the prescribed percentage of estimated benefit expenditure for the financial year ending with 31st March in that year shall be 2 per cent.

#### **Prescribed percentage of estimated benefit expenditure – Northern Ireland**

6. Article 4(3) of the Social Security (Northern Ireland) Order 1993 (payments into the Northern Ireland National Insurance Fund out of appropriated money) shall have effect with respect to the tax year 2004-05 and the prescribed percentage of estimated benefit expenditure for the financial year ending with 31st March in that year shall be 2 per cent.

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two of the Lords Commissioners of Her  
Majesty’s Treasury

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(16) Section 15(3) was substituted by section 3(1) of the National Insurance Contributions Act 2002. Section 18(1) was amended by paragraph 18(2) of Schedule 3 to the Transfer Act and Schedule 2 to the National Insurance Contributions Act 2002 and the figure in that section was last substituted by article 5(a) of S.I. 2002/830. Section 18(1A) was inserted by section 3(3) of the National Insurance Contributions Act 2002.

(17) Section 15(3) was substituted by section 3(2) of the National Insurance Contributions Act 2002. Section 18(1) was amended by paragraph 18(2) of Schedule 3 to the Transfer Order and Schedule 2 to the National Insurance Contributions Act 2002 and the figure in that section was last substituted by article 5(a) of S.I. 2002/830. Section 18(1A) was inserted by section 3(4) of the National Insurance Contributions Act 2002.

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## EXPLANATORY NOTE

*(This note is not part of the Order)*

This Order increases the rates of Class 2 and Class 3 contributions specified in sections 11(1) and 13(1) of the Social Security Contributions and Benefits Act 1992 (c. 4: “the Act”) from £2.00 to £2.05 and from £6.95 to £7.15 respectively. It also increases from £4,095 to £4,215 the amount of earnings specified in section 11(4) of the Act, below which an earner may be excepted from liability for Class 2 contributions (Articles 2 and 3).

The Order also increases, from £4,615 to £4,745 and from £30,940 to £31,720 respectively, the lower and upper limits of profits or gains specified in those sections, between which Class 4 contributions are payable at the main Class 4 percentage rate (Article 4).

Articles 2 to 4 of the Order also make provision for Northern Ireland corresponding to that in the preceding two paragraphs (the section numbers of the Social Security Contributions and Benefits (Northern Ireland) Act 1992 (c. 7) are the same as those in the Act).

The Order provides for section 2(2) of the Social Security Act 1993 (c. 3) to have effect for the tax year 2004-05. It also provides that the amount of any money that may be provided by Parliament to be paid into the National Insurance Fund in that year shall not exceed in aggregate 2 per cent. of the estimated benefit expenditure for the financial year ending 31st March 2005 (Article 5). The Order also makes corresponding provision for Northern Ireland (Article 4(3) of the Social Security (Northern Ireland) Order 1993 (S.I. 1993/592 (N.I.2)) being the provision brought into effect (Article 6).

In accordance with sections 142(1) and 144(1) of the Social Security Administration Act 1992 (c. 5), a copy of the report by the Government Actuary (Cm. 6117), giving his opinion on the likely effect on the National Insurance Fund of the making of the Order, insofar as it amends sections 11(1) and (4), 13(1), 15(3), 18(1) and 18(1A) of the Act, was laid before Parliament with the draft of this Order.

This Order does not impose any new costs on business.