



Social Security Act 1975

1975 CHAPTER 14

PART I

CONTRIBUTIONS

Preliminary

1 Outline of contributory system

(1) The funds required—

- (a) for paying such benefits under Part II below as are payable out of the National Insurance Fund and not out of other public money;
- (b) for the making of payments under section 134 below towards the cost of the national health service and into the Redundancy Fund ; and
- (c) for paying benefit under the Old Cases Act,

shall be provided by means of contributions payable to the Secretary of State by earners, employers and others, together with the Treasury supplements specified in subsection (5) below.

(2) Contributions under this Part of this Act shall be of the following four classes—

Class 1, earnings-related, payable under section 4, being—

- (a) primary Class 1 contributions from employed earners, and
- (b) secondary Class 1 contributions from employers and other persons paying earnings ;

Class 2, flat-rate, payable weekly under section 7 by self-employed earners;

Class 3, payable under section 8 by earners and others voluntarily with a view to providing entitlement to benefit, or making up entitlement; and

Class 4, payable under section 9 in respect of the profits or gains of a trade, profession or vocation, or under section 10 in respect of equivalent earnings.

(3) The amounts and rates of contributions in this Part and the other figures therein which affect the liability of contributors shall—

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- (a) be subject to regulations under sections 128 to 132 below (H.M. forces, mariners, married women, widows and others); and
 - (b) to the extent provided for by sections 120 and 122 (re-rating), be subject to alteration by orders made by the Secretary of State from year to year under those sections.
- (4) Schedule 1 to this Act—
- (a) shall have effect with respect to the computation, collection and recovery of contributions of Classes 1, 2 and 3, and otherwise with respect to contributions of those classes; and
 - (b) shall also, to the extent provided by regulations made under section 10, have effect with respect to the computation, collection and recovery of Class 4 contributions, and otherwise with respect to such contributions, where under that section provision is made for contributions of that class to be recovered by the Secretary of State and not by the Inland Revenue under section 9(1) to (4).
- (5) Subject to section 129 below (mariners, airmen etc.), there shall by way of supplement to contributions be paid out of money provided by Parliament, in such manner and at such times as the Treasury may determine, amounts the total of which for any year is equal to 18 per cent. of so much of all contributions (of the four classes) paid in that year as remains after deducting the appropriate national health service allocation and the appropriate allocation to the Redundancy Fund.
- (6) No person shall—
- (a) be liable to pay Class 1 or Class 2 contributions unless he fulfils prescribed conditions as to residence or presence in Great Britain;
 - (b) be entitled to pay Class 3 contributions unless he fulfils such conditions; or
 - (c) be entitled to pay Class 1 or Class 2 contributions other than those which he is liable to pay, except so far as he is permitted by regulations to pay them.

2 Categories of earners

- (1) In this Act—
- (a) "employed earner" means a person who is gainfully employed in Great Britain either under a contract of service, or in an office (including elective office) with emoluments chargeable to income tax under Schedule E; and
 - (b) "self-employed earner" means a person who is gainfully employed in Great Britain otherwise than in employed earner's employment (whether or not he is also employed in such employment).
- (2) Regulations may provide—
- (a) for employment of any prescribed description to be disregarded in relation to liability for contributions otherwise arising from employment of that description;
 - (b) for a person in employment of any prescribed description to be treated, for the purposes of this Act, as falling within one or other of the categories of earner defined in subsection (1) above, notwithstanding that he would not fall within that category apart from the regulations.
- (3) Where a person is to be treated by reference to any employment of his as an employed earner, then he is to be so treated for all purposes of this Act; and references throughout this Act to employed earner's employment shall be construed accordingly.

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- (4) Subsections (1) to (3) above are subject to the provision made by section 51 of this Act as to the employments which are to be treated, for the purposes of industrial injuries benefit, as employed earner's employments.
- (5) For the purposes of this Act, a person shall be treated as a self-employed earner as respects any week during any part of which he is such an earner (without prejudice to his being also treated as an employed earner as respects that week by reference to any other employment of his).

3 "Earnings"

- (1) In this Act " earnings " includes any remuneration or profit derived from an employment; and " earner " shall be construed accordingly.
- (2) For the purposes of this Act, the amount of a person's earnings for any period, or the amount of his earnings to be treated as comprised in any payment made to him or for his benefit, shall be calculated or estimated in such manner and on such basis as may be prescribed.
- (3) Regulations made for the purposes of subsection (2) above may prescribe that payments of a particular class or description made or falling to be made to or by a person shall, to such extent as may be prescribed, be disregarded or, as the case may be, be deducted from the amount of that person's earnings.

The four classes of contributions

4 Class 1 contributions (incidence)

- (1) For the purposes of this Act, there shall for every tax year be—
 - (a) a lower earnings limit for Class 1 contributions, being the level of weekly earnings at which employed earners become liable for such contributions in respect of the earnings from their employments ; and
 - (b) an upper earnings limit for Class 1 contributions, being the maximum amount of weekly earnings in respect of which such contributions are payable;and the lower and upper earnings limits shall be respectively £11 and £69.
- (2) Subject to section 6 below, where in any tax week earnings are paid to or for the benefit of an earner in respect of any one employment of his, being employed earner's employment, and—
 - (a) he is over school-leaving age ; and
 - (b) the amount paid is equal to or exceeds the current lower earnings limit (or the prescribed equivalent in the case of earners paid otherwise than weekly),there shall be payable, in accordance with this section (and, except as provided by this Act, without regard to any other payment of earnings to or for the benefit of the earner in respect of any other employment), a primary and a secondary Class 1 contribution.
- (3) The primary contribution shall be payable by the earner and the secondary contribution shall be payable by the secondary Class 1 contributor.
- (4) Subject to subsection (5) below, the secondary contributor, in relation to any payment of earnings to or for the benefit of an employed earner, is—
 - (a) in the case of an earner employed under a contract of service, his employer;

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- (b) in the case of an earner employed in an office with emoluments, either—
 - (i) such person as may be prescribed in relation to that office, or
 - (ii) if no person is prescribed, the government department, public authority or body of persons responsible for paying the emoluments of the office.
- (5) In relation to employed earners who—
 - (a) are paid earnings in a tax week by more than one person in respect of different employments ; or
 - (b) work under the general control or management of a person other than their immediate employer,

and in relation to any other case for which it appears to the Secretary of State that such provision is needed, regulations may provide that for the purposes of this section the prescribed person is to be treated as the secondary Class 1 contributor in respect of earnings paid to or for the benefit of an earner.
- (6) The amount of a Class 1 contribution shall be a percentage of so much of the earnings paid in the week, in respect of the employment in question, as does not exceed the current upper earnings limit (or the prescribed equivalent in the case of earners paid otherwise than weekly); and, subject to regulations under sections 128 to 132 below—
 - (a) the primary contribution shall be 5-5 per cent. or 2 per cent., according to whether the earner is liable to contribute at the standard rate or the reduced rate; and
 - (b) the secondary contribution shall be 8-5 per cent.

5 Class 1 standard and reduced rates

- (1) Subject to the following subsections, an employed Class 1 earner liable for a primary Class 1 contribution shall be liable standard and to contribute at the standard rate. rates
- (2) A married woman or widow shall be liable to contribute at the reduced rate if she has elected, in accordance with regulations under section 130(2) of this Act, to contribute at that rate and has not revoked her election.
- (3) Except as provided by subsection (4) below, a woman who has been widowed and—
 - (a) is liable apart from this subsection to pay Class 1 contributions at the standard rate; and
 - (b) falls within a class of women prescribed for the purposes of this paragraph, shall be liable to contribute at the reduced rate for prescribed earnings.
- (4) Such a woman as is mentioned in subsection (3) above shall be liable to pay those contributions at the standard rate for any of the prescribed earnings there referred to as respects which she has, in accordance with regulations, elected to contribute at that rate and not revoked her election.

6 Class 1 exemptions

- (1) No primary Class 1 contribution shall be payable in respect of an employed earner who—
 - (a) is over pensionable age and has retired from regular employment;
 - (b) although over pensionable age, has not retired from regular employment, and at the time when he attained pensionable age did not satisfy the contribution

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conditions for a Category A retirement pension (section 28 and Schedule 3, paragraph 5).

- (2) No primary Class 1 contribution shall be payable in respect of a woman over pensionable age who was married when she attained that age and has not retired from regular employment and—
 - (a) as to whom the requirements of section 28(2)(6) below are not satisfied (earnings record following marriage); and
 - (b) who is not a woman satisfying the requirement of section 28(2)(a) (marriage at 55 or later age).
- (3) Nothing in this section affects any liability to pay secondary Class 1 contributions in respect of any person.

7 Class 2 contributions

- (1) Subject to the provisions of this section, every self-employed earner shall, if he is over school-leaving age, be liable to pay Class 2 contributions at the rate of £2.41 a week.
- (2) Class 2 contributions shall not be payable—
 - (a) by an earner who is over pensionable age and has retired from regular employment; or
 - (b) by an earner who, although over pensionable age, has not retired from regular employment and at the time when he attained pensionable age did not satisfy the contribution conditions for a Category A retirement pension (section 28 and Schedule 3, paragraph 5); or
 - (c) by a married woman or widow who has elected, in accordance with regulations under section 130(2) of this Act, to be under no liability for Class 2 contributions and has not revoked her election.
- (3) The Secretary of State may by order direct that, in the tax year beginning 6th April 1975 or in any of the 4 subsequent tax years, the weekly rate of Class 2 contributions shall for women be a specified rate lower than the rate for other Class 2 contributors in respect of that tax year.
- (4) Regulations may make provision so that an earner is liable for a weekly rate of Class 2 contributions higher than that specified in subsection (1) above where—
 - (a) in respect of any employment of his, he is treated by regulations under section 2 (2) (b) of this Act as being a self-employed earner; and
 - (b) in any period or periods he has earnings from that employment and—
 - (i) those earnings are such that (disregarding their amount) he would be liable for Class 1 contributions in respect of them if he were not so treated in respect of the employment, and
 - (ii) no Class 4 contribution is payable in respect of the earnings by virtue of regulations under section 10(1) of this Act.
- (5) Regulations may provide for an earner otherwise liable for Class 2 contributions in respect of employment as a self-employed earner to be excepted from the liability in respect of any period in which his earnings from such employment are, or are treated by regulations as being, less than £675 a tax year.
- (6) Regulations made for the purposes of subsection (5) above shall not except a person from liability to pay contributions otherwise than on his own application, but may

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provide for so excepting a person with effect from any date not earlier than 13 weeks before the date on which his application was made.

8 Class 3 contributions

- (1) Regulations shall provide for earners and others, if over school-leaving age, to be entitled if they so wish, but subject to any prescribed conditions, to pay Class 3 contributions; and the amount of a Class 3 contribution shall be £190.
- (2) Payment of Class 3 contributions shall be allowed only with a view to enabling the contributor to satisfy contribution conditions of entitlement to benefit by acquiring the requisite earnings factor for the purposes described in section 13 in Part II below; and regulations—
 - (a) may provide for Class 3 contributions, although paid in one tax year, to be appropriated in prescribed circumstances to the earnings factor of another tax year; and
 - (b) shall provide for the return of such contributions which have been paid, where they are insufficient to provide any entitlement or additional entitlement.
- (3) Where for any tax year a contributor's earnings factor derived from his Class 1 or Class 2 contributions (or both) already stands at a figure which is 50 times that year's lower earnings limit for Class 1 contributions, no Class 3 contributions shall be payable by him in respect of the year ; and if Class 3 contributions are paid in such number that the contributor's earnings factor will exceed that figure, so much of those contributions as brings the earnings factor above that figure—
 - (a) shall be repaid to him (subject to regulations excluding repayment where the amount in question is inconsiderable) ; and
 - (b) if repayable, shall then be treated as not having been paid for any purposes other than those of this section.

9 Class 4 contributions recoverable under Tax Acts

- (1) Class 4 contributions shall be payable in respect of all annual profits or gains immediately derived from the carrying on or exercise of one or more trades, professions or vocations, being profits or gains chargeable to income tax under Case I or Case II of Schedule D for any year of assessment beginning on or after 6th April 1975; and the contributions shall be payable—
 - (a) in the same manner as any income tax which is, or would be, chargeable in respect of those profits or gains (whether or not income tax in fact falls to be paid); and
 - (b) by the person on whom the income tax is (or would be) charged,
 in accordance with assessments made from time to time under the Income Tax Acts.
- (2) A Class 4 contribution for any tax year shall be an amount equal to 8 per cent. of so much of the profits or gains referred to in subsection (1) above (as computed in accordance with Schedule 2 to this Act) as exceeds £1,600 and does not exceed £3,600.
- (3) Except as provided by or under subsection (9) and section 10 below and sections 9(6) and 10 of the Social Security (Northern Ireland) Act 1975 and except as provided by Schedule 2 to this Act, all the provisions of the Income Tax Acts as they have effect from time to time (including, but without prejudice to the generality of the foregoing, provisions as to assessment, collection, repayment and recovery, and the provisions of Part X of the Taxes Management Act 1970 (penalties)) shall with the necessary

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modifications apply in relation to Class 4 contributions under this Act and the said Act of 1975 as if they were income tax chargeable under Case I or Case II of Schedule D.

This subsection and subsections (4) to (6) below extend to Northern Ireland.

- (4) Schedule 2 to this Act has effect (without prejudice to subsection (3) above) for the application or modification, in relation to Class 4 contributions under this Act and the Social Security (Northern Ireland) Act 1975, of certain provisions of the Income Tax Acts, and the exclusion of other provisions, and generally with respect to the contributions.
- (5) The Inland Revenue shall, at such times and in such manner as the Treasury may direct, account to the Secretary of State for, and pay to him, the sums estimated by the Inland Revenue (in the manner so directed) to have been collected by them as Class 4 contributions under this section and section 9 of the Social Security (Northern Ireland) Act 1975.
- (6) So much of any money received by the Secretary of State under subsection (5) as is estimated by him, in accordance with any directions of the Treasury, to represent Class 4 contributions collected from persons in Northern Ireland shall be paid over by him to the Northern Ireland Department.
- (7) The Secretary of State may by regulations made with the concurrence of the Inland Revenue provide—
 - (a) for excepting persons from liability to pay Class 4 contributions in accordance with subsections (1) to (4) above; or
 - (b) for deferring any person's liability,and may certify from time to time to the Inland Revenue the persons who are excepted from liability, or whose liability is to be deferred, and who accordingly are not required (except in accordance with the regulations) to be assessed for contributions.
- (8) Exception from liability, or deferment, under subsection (7) above may (without prejudice to the generality of that subsection) be by reference—
 - (a) to a person otherwise liable for contributions being under a prescribed age at the beginning of a tax year ;
 - (b) to a person having attained pensionable age and retired from regular employment;
 - (c) to a person being in receipt of earnings in respect of which primary Class 1 contributions are, or may be, payable; or
 - (d) to a person not satisfying prescribed conditions as to residence or presence in the United Kingdom.
- (9) The Secretary of State may, by regulations made with the concurrence of the Inland Revenue—
 - (a) provide, in relation to Class 4 contributions recovered by the Inland Revenue, for any incidental matters arising out of the payment of such contributions, including in particular their return in whole or in part where payment has been made in error or repayment ought for any other reason to be made;
 - (b) provide, in relation to cases where liability for such contributions is to be deferred in pursuance of regulations made under subsection (7) above, for any matters arising out of the deferment, including in particular provision for the amount of a person's profits or gains (as computed under Schedule 2 to this Act) to be certified by the Inland Revenue to the Secretary of State and the person liable ;

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but so that no such certificate as is referred to in paragraph (b) above shall relate to a person's profits or gains so far as they exceed whatever is for the time being the higher of the two money sums specified in subsection (2) above.

10 Class 4 contributions recoverable under regulations

- (1) Provision may be made by regulations so that where—
- (a) an earner, in respect of any one or more employments of his, is treated by regulations under section 2(2)(b) of this Act as being self-employed ; and
 - (b) in any tax year he has earnings from any such employment (one or more) which fall within section 7(4)(b)(i), but is not liable for a higher weekly rate of Class 2 contributions by virtue of regulations under that subsection ; and
 - (c) the total of those earnings exceeds £1,600,
- he is to be liable, in respect of those earnings, to pay a Class 4 contribution of an amount equal to 8 per cent. of so much of the total as exceeds £1,600 and does not exceed £3,600.
- (2) It shall be for the Secretary of State, and not the Inland Revenue, to recover Class 4 contributions payable by virtue of regulations under this section and generally to be responsible for the relevant administration ; and regulations may in relation to contributions so payable—
- (a) apply any of the provisions of Schedule 1 to this Act (except a provision conferring power to make regulations) ; and
 - (b) make any such provision as may be made by regulations under that Schedule, except paragraph 5.

11 General power to regulate liability for contributions

- (1) Regulations may provide, either generally or in relation to any prescribed category of earners, or to earners in any prescribed category of employments, that their liability in a particular year in respect of contributions of prescribed classes is not to exceed such maximum amount or amounts as may be prescribed.
- (2) Regulations made for the purposes of subsection (1) above may provide—
- (a) for an earner whose liability is subject to a maximum prescribed thereunder to be liable in the first instance for the full amount of any contributions due from him apart from the regulations, or to be relieved from liability for such contributions in prescribed circumstances and to the prescribed extent; and
 - (b) for contributions paid in excess of any such maximum to be repaid at such times, and in accordance with such conditions, as may be prescribed.
- (3) Regulations may provide, in relation to earners otherwise liable for contributions of any class, for excepting them from the liability for such periods, and in such circumstances, as may be prescribed.