

These notes refer to the National Insurance Contributions and Statutory Payments Act 2004 (c.3) which received Royal Assent on 13 May 2004

NATIONAL INSURANCE CONTRIBUTIONS AND STATUTORY PAYMENTS ACT 2004

EXPLANATORY NOTES

BACKGROUND TO THE ACT

Agreements and joint elections - employment-related securities

Current position

15. Currently, employers can ask their employees to fund the employer's contribution liability arising when an employee exercises an employment-related option to acquire securities, either through a "joint National Insurance contributions election" or a "joint National Insurance contributions agreement". Using a National Insurance contributions election legally transfers the secondary liability to the employee. It thus removes the need for the employer to provide for the unpredictable secondary liability for contributions in their accounts, when the amount of the employer's contribution liability is contingent on the gain from options on exercise. Under a National Insurance contributions agreement, the liability remains that of the employer and must, therefore, be reflected in the company's accounts. The employee simply reimburses the cost of the liability to the employer.