

**EXPLANATORY MEMORANDUM TO**  
**THE SOCIAL SECURITY (CONTRIBUTIONS) (AMENDMENT No. 6)**  
**REGULATIONS 2006**

**2006 No. 2924**

1. This explanatory memorandum has been prepared by HM Revenue and Customs and is laid before Parliament by Command of Her Majesty.
2. **Description**

This instrument amends the Social Security Contributions Regulations 2001 (S.I. 2001 No. 1004). The amendments to these Regulations provide a disregard in the computation of an earner's earnings liable to Class 1 National Insurance contributions, for payments of operational allowances paid to members of Her Majesty's forces. This instrument will come into force on 14th November 2006.
3. **Matters of special interest to the Joint Committee on Statutory Instruments**

This instrument breaches the 21 day rule. The imperative for this is to ensure that Service personnel who have returned to the UK are able to receive the first payment of the new allowance in mid November. A breach of the 21 day rule will ensure that the Regulations are in force before the first payment of the new allowance so that no National Insurance Contributions will be payable on that payment.
4. **Legislative Background**

On 10 October 2006, the Secretary of State for Defence announced that a (non-taxable) operational bonus would be paid to eligible Service personnel deployed to specified operational locations, from 1 April 2006. He announced that this bonus was in recognition of the increased and enduring nature of danger in these operational locations, over and above that already compensated for in a Service person's salary. Only Service personnel in operational locations specified by the MOD will be eligible for the bonus, to be called the Operational Allowance.
5. **Extent**

The Social Security Contributions Regulations 2001 (S.I. 2001 No. 1004) apply throughout the United Kingdom.
6. **European Convention on Human Rights**

This instrument is subject to the negative resolution procedure and does not amend primary legislation. Accordingly, no statement of compliance with the European Convention on Human Rights is required.

## **7. Policy background**

- 7.1 Section 3(2) of the Social Security Contributions and Benefit Act 1992 and its Northern Ireland analogue provide that the amount of a person's earnings is to be calculated or estimated in such manner or on such basis as may be prescribed by regulations. Section 3(3) then provides that regulations made for the purposes of section 3(2) may prescribe, that payments of a particular class or description are to be disregarded in the calculation of earnings. Section 175(1A) and (5) of the Social Security Contributions and Benefit Act 1992 and its Northern Ireland analogue provide that regulations under (inter alia) section 3 may provide for the exercise of a discretion. This is needed because the Secretary of State for Defence will specify relevant operational areas by means of administrative orders.
- 7.2 This instrument is intended to complement the Income Tax position and give effect to the policy intention that these payments may be made without the deduction of National Insurance Contributions and Income Tax.
- 7.3 These amendments will make only a small amendment to the Social Security (Contributions) Regulations 2001 which are very large and complex (the printed text ran to around 150 pages in 2001). HM Revenue and Customs has no current plans to consolidate these Regulations. On the last occasion it was a task involving 18 months' work and contributions from four different Government departments.

## **8. Impact**

A regulatory impact assessment has not been prepared as these regulations do not impose any new costs on business or charities.

## **9. Contact**

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