

**EXPLANATORY MEMORANDUM TO THE SOCIAL SECURITY
(CONTRIBUTIONS) (RE-RATING) CONSEQUENTIAL AMENDMENT
REGULATIONS 2007**

2007 No. 1094

1. This explanatory memorandum has been prepared by the Treasury and is laid before Parliament by Command of Her Majesty. This memorandum contains information for the Joint Committee on Statutory Instruments.

2. Description

The purpose of this Statutory Instrument is to make a consequential amendment to the special rate of Class 2 National Insurance Contributions (NICs) payable by share fishermen.

3. Matters of special interest to the Joint Committee on Statutory Instruments

- 3.1. It is very much regretted that this Statutory Instrument is in breach of the rule requiring laying of an instrument 21 days before its provisions take effect.
- 3.2. The timing of these regulations is dependent on the approval of the Social Security (Contributions) (Re-rating and National Insurance Funds Payments) Order 2007 by both houses of Parliament. This took place on 13th March 2007 in Committee in the Commons and on the 22nd February 2007 in the House of Lords. The Order also needs to be approved on the floor of the House of Commons. Unfortunately the timing means that it has not been possible to lay the amending Statutory Instrument 21 days before its provisions take effect.
- 3.3. The amendment needs to take effect from the beginning of the 2007-08 tax year and accordingly it is not possible in the circumstances to allow 21 days to elapse between the laying of the instrument and its coming into force.

4. Legislative Background

- 4.1 The Social Security (Contributions) (Re-rating and National Insurance Funds Payments) Order 2007 (“the Re-rating Order”), approved by the House of Commons and House of Lords on the 13th of March and 22nd February 2007 respectively, increased the rate of Class 2 NICs to £2.20 per week. A consequence of this is that the special rate payable by share fishermen is increased from £2.75 to £2.85 per week.
- 4.2 This requires an amendment to regulation 125 (c) of the Social Security (Contributions) Regulation 2001 (modification of provisions of the Social Security Contributions and Benefits Act 1992 in relation to share fishermen). These amendments are made under powers contained in sections 117(1) and 175(1) , (1A) and (3) of the Social Security Contributions and Benefits Act 1992, and the corresponding powers for Northern Ireland.

5. Extent

These Regulations apply throughout the United Kingdom.

6. European Convention on Human Rights

As the instrument is subject to the negative resolution procedure and does not amend primary legislation,, no statement is required.

7. Policy background

7.1. Share Fishermen pay a special rate of Class 2 NICs that entitles them to receive Contribution-based Jobseeker's Allowance for periods of inactivity (normally in the winter months). It is based on the ordinary rate of Class 2 NICs with a loading to cover Contribution-based Jobseeker's Allowance. Payment of ordinary Class 2 NICs does not give entitlement to this.

7.2. 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

8.1. A regulatory impact assessment has not been prepared for this instrument as it has no impact on businesses or the voluntary sector.

9. Contact

9.1. Kevin Rice at H.M.Revenue and Customs, Tel: 020 7147 2514 or e-mail: kevin.rice@hmrc.gsi.gov.uk can answer any queries regarding the instrument.