

**EXPLANATORY MEMORANDUM TO
THE SOCIAL SECURITY (CONTRIBUTIONS) (RE-RATING) CONSEQUENTIAL
AMENDMENT REGULATIONS 2014**

2014 No. 634

1. This explanatory memorandum has been prepared by H.M. Revenue and Customs (HMRC) and is laid before Parliament by Command of Her Majesty.

2. Purpose of the instrument

2.1 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 from 6 April 2014.

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

3.1 None.

4. Legislative Context

4.1 The Social Security (Contributions) (Re-rating and National Insurance Funds Payments) Order 2014, approved by the House of Commons and House of Lords on 4 March and 5 March 2014 respectively, increased the rate of Class 2 NICs to £2.75 per week. A consequence of this is that the special rate payable by share fishermen is increased from £3.35 to £3.40 per week.

4.2 This requires an amendment to regulation 125(c) of the Social Security (Contributions) Regulations 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(3) of the Social Security Contributions and Benefits Act 1992, and the corresponding powers for Northern Ireland.

5. Territorial Extent and Application

5.1 This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

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

7. Policy background

- *What is being done and why*

7.1 In the Budget on 23 March 2011 it was announced that the basis for indexation of the weekly Class 2 contribution rates would be by reference to the Consumer Price Index (CPI). The September 2013 CPI was 2.67%.

7.2 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. This change is necessary because of the CPI increase to the weekly rate of Class 2 NICs.

- ***Consolidation***

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). HMRC 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. Consultation outcome

8.1 No consultation has been undertaken. This instrument relates to routine changes to limits, rates and thresholds as part of the annual NICs re-rating exercise.

9. Guidance

9.1 These consequential Regulations do not impose a new obligation.

9.2 The NICs rates, limits and thresholds for 2014-15 were announced on 5 December 2013 in the Autumn Statement and can also be found on HMRC's website.

10. Impact

10.1 There is no impact on business, charities or voluntary bodies.

10.2 There is no impact on the public sector.

10.3 In line with government commitments, a Tax Information and Impact Note has not been prepared for this instrument as it gives effect to previously announced policy and it relates to routine changes to rates, limits and thresholds to a predetermined indexation formula.

11. Regulating small business

11.1 The change to the special rate of Class 2 contributions payable by share fishermen apply to small businesses in so far as the proprietor(s) are self employed. These small businesses will need to acquaint themselves with the new rate in order to calculate their National Insurance liabilities for the tax year 2014-15. These changes have no impact on employees.

12. Monitoring & review

12.1 These Consequential Regulations make changes to the special rate of Class 2 contributions payable by share fishermen and will not be subject to specific monitoring and review.

13. Contact

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hasan.mustafa@hmrc.gsi.gov.uk can answer any queries regarding the instrument.