

**EXPLANATORY MEMORANDUM TO**  
**THE SOCIAL SECURITY (CONTRIBUTIONS) (RE-RATING) CONSEQUENTIAL**  
**AMENDMENT REGULATIONS 2018**

**2018 No. 363**

**1. Introduction**

- 1.1 This explanatory memorandum has been prepared by HM Revenue and Customs and is laid before Parliament by Command of Her Majesty.

**2. Purpose of the instrument**

- 2.1 This instrument makes a consequential amendment to the special rate of Class 2 National Insurance contributions (NICs) payable by share fishermen from 6 April 2018.

**3. Matters of special interest to Parliament**

*Other matters of interest to the Joint Committee on Statutory Instruments*

- 3.1 None.

*Other matters of interest to the House of Commons*

- 3.2 As this instrument is subject to negative resolution procedure and has not been prayed against, consideration as to whether there are other matters of interest to the House of Commons does not arise at this stage.

**4. Legislative Context**

- 4.1 The Social Security (Contributions) (Rates, Limits and Thresholds Amendments and National Insurance Funds Payments) Regulations 2018 (S.I. 2018/337) approved by the House of Commons and the House of Lords on 7 February 2018 and March 6<sup>th</sup> 2018 respectively, increased the rate of Class 2 NICs to £2.95 per week. As a consequence, the special rate of Class 2 NICs payable by share fishermen will increase from £3.50 per week to £3.60 per week.
- 4.2 The Department for Work and Pensions and the Northern Ireland Department for Communities have concurred to the making of the final text of this instrument.
- 4.3 S176(2)(a) of the Social Security Contributions and Benefits Act 1992 (c. 4) provides that the negative procedure applies to regulations made under section 117 of that Act which the instrument states are made for the purpose of making provision consequential on the making of an order under s141 of the Social Security Administration Act 1992 (c. 5). The corresponding provision for Northern Ireland is found in section 172(11B)(a) of the Social Security Contributions and Benefits (Northern Ireland) Act 1992 (c. 7).

**5. Extent and Territorial Application**

- 5.1 The extent of this instrument is the United Kingdom.
- 5.2 The territorial application of this instrument is the United Kingdom.

## **6. European Convention on Human Rights**

- 6.1 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 At Budget 2011 it was announced that the basis for indexation of the weekly Class 2 NICs rates would be by reference to the Consumer Price Index (CPI). The increase in CPI for the year to September 2017 was 2.9593%.
- 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, for which payment of ordinary Class 2 NICs does not give entitlement. This change is necessary because of the CPI increase to the weekly rate of ordinary Class 2 NICs.

### *Consolidation*

- 7.3 These amendments will make only a small amendment to the Social Security (Contributions) Regulations 2001. Consolidation is not being considered at this time.

## **8. Consultation outcome**

- 8.1 There was no consultation because the instrument relates to routine changes to rates, limits 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 from 6 April 2018 were announced on 22 November 2017 in the Autumn Budget and can be found on the GOV.UK website at the following link: <https://www.gov.uk/government/publications/autumn-budget-2017-overview-of-tax-legislation-and-rates-ootlar/annex-a-rates-and-allowances>.

## **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 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.

## **11. Regulating small business**

- 11.1 The legislation applies to activities that are undertaken by small businesses.
- 11.2 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 from 6 April 2018. 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**

- 13.1 Lowri Barber at HM Revenue and Customs Telephone: 03000 563 479 or email: [lowri.barber@hmrc.gsi.gov.uk](mailto:lowri.barber@hmrc.gsi.gov.uk) can answer any queries regarding the instrument.