
STATUTORY INSTRUMENTS

1999 No. 568

SOCIAL SECURITY

**The Social Security (Contributions and Credits)
(Miscellaneous Amendments) Regulations 1999**

Made - - - - 5th March 1999
Laid before Parliament 15th March 1999
Coming into force in accordance with regulation 1

The Secretary of State for Social Security, with the concurrence of the Inland Revenue in so far as required⁽¹⁾, in exercise of powers conferred by sections 3(2), (2A)⁽²⁾, (3) and (5)⁽³⁾, 5(1), 6(1), 8(1), 9(1), 14(1), 17(1) and (2), 19(1) to (3), 22(5), 119, 122(1) and 175(1) to (4) of, and paragraphs 4(a), 6(1) and 8(1)(a), (m) and (q) of Schedule 1 to, the Social Security Contributions and Benefits Act 1992⁽⁴⁾ and section 162(12) of the Social Security Administration Act 1992⁽⁵⁾ and of all other powers enabling him in that behalf, after agreement by the Social Security Advisory Committee that proposals to make these Regulations should not be referred to it⁽⁶⁾ in so far as they relate to matters which are not otherwise exempt from the requirement of referral to the Committee by virtue of section 173(5)(a)⁽⁷⁾ of the Social Security Administration Act 1992, hereby makes the following Regulations:

Citation, commencement and interpretation

1.—(1) These Regulations may be cited as the Social Security (Contributions and Credits) (Miscellaneous Amendments) Regulations 1999 and shall come into force—

(a) for the purposes of regulations 8 and 9(2) and (3), on 6th April 1999 immediately after the coming into force of regulations 2(6), 3(2)(b) and (3) respectively of the Social

(1) See paragraph 6(1) of Schedule 1 to the Social Security Contributions and Benefits Act 1992 (c. 4).

(2) Subsection (2A) was inserted by section 48 of the Social Security Act 1998 (c. 14).

(3) Section 3(5) is inserted by section 49 of the Social Security Act 1998.

(4) Sections 5(1), 6(1), 8(1) and 9 were substituted by section 51(1) to (4) of the Social Security Act 1998 respectively; section 22(5) was amended by paragraph 22 of Schedule 2 to the Jobseekers Act 1995 (c. 18); section 122(1) is cited because of the meaning ascribed to the word “prescribe”; paragraph 6(1) of Schedule 1 was amended by paragraph 77(8) of Schedule 7 to the Social Security Act 1998.

(5) 1992 c. 5.

(6) See section 173(1)(b) of the Social Security Administration Act 1992.

(7) See regulation 8 of these Regulations which adds paragraph (21) to regulation 18 of the Social Security Contributions Regulations 1979 (S.I.1979/591).

Security Contributions, Statutory Maternity Pay and Statutory Sick Pay (Miscellaneous Amendments) Regulations 1999⁽⁸⁾;

(b) for all other purposes, on 6th April 1999.

(2) In these Regulations “the principal Regulations” means the Social Security (Contributions) Regulations 1979⁽⁹⁾.

Amendment of regulation 1 of the principal Regulations

2.—(1) Regulation 1 of the principal Regulations (citation, commencement and interpretation) shall be amended in accordance with the following provisions of this regulation.

(2) In paragraph (2)—

(a) for the definition of “contracted-out rate”, substitute—

““contracted-out rate” means, in relation to Class 1 contributions payable in respect of earnings paid to or for the benefit of an earner who is in—

(a) COSRS employment, the reduced amount for the time being applying in accordance with section 41(1) to (1B) of the Pension Schemes Act 1993 (which specifies the percentage reduction of primary and secondary Class 1 contributions in respect of that part of an employed earner’s earnings which exceed the current lower earnings limit, but not the current upper earnings limit, in respect of members of a COSRS)⁽¹⁰⁾;

(b) COMPS employment, the reduced amount for the time being applying in accordance with section 42A(1) to (2A) of the Pension Schemes Act 1993 (which specifies the percentage reduction of primary and secondary Class 1 contributions in respect of that part of an employed earner’s earnings which exceed the current lower earnings limit, but not the current upper earnings limit, in respect of members of a COMPS)⁽¹¹⁾”;

(b) for the definition of “non-contracted-out rate”⁽¹²⁾, substitute—

““non-contracted-out rate” means, in relation to Class 1 contributions payable in respect of earnings paid to or for the benefit of an earner in non-contracted-out employment, the primary percentage for the time being specified in section 8(2) of the Social Security Contributions and Benefits Act 1992⁽¹³⁾”;

(c) for the definition of “normal percentage”, substitute—

““normal rate” means the amount of a Class 1 contribution which would be payable in respect of earnings paid to or for the benefit of an employed earner in any week if the employment were not contracted-out employment”;

(d) at the appropriate place in the alphabetical order, insert—

““retirement benefits scheme” has the meaning assigned to it in section 611 of the Income and Corporation Taxes Act 1988⁽¹⁴⁾”;

⁽⁸⁾ S.I. 1999/567.

⁽⁹⁾ The relevant amending instruments are S.I. 1981/82, 1982/206 and 1033, 1983/395, 1984/77, 1985/396, 397, 398 and 1398, 1987/413 and 2111, 1989/345 and 1677, 1990/605, 1991/640 and 1935, 1992/97 and 1440, 1996/777 and 2407, 1998/523 and 2211 and 1999/567.

⁽¹⁰⁾ 1993 c. 48. Section 41(1) and (1A) are substituted by paragraph 127 of Schedule 7 to the Social Security Act 1998. The definition of “COSRS employment” was inserted by regulation 2 of S.I. 1996/2407.

⁽¹¹⁾ Section 42A(1) and (2) is substituted by paragraph 128 of Schedule 7 to the Social Security Act 1998. The definition of “COMPS employment” was inserted by regulation 2 of S.I. 1996/2407.

⁽¹²⁾ The definition of “non-contracted-out rate” was amended by regulation 5(2)(a) of S.I. 1985/1398 and regulation 3(2) of S.I. 1989/1677.

⁽¹³⁾ Section 8(2) is substituted by section 51(3) of the Social Security Act 1998.

⁽¹⁴⁾ 1988 c. 1.

(e) for the definition of “secondary contributor”, substitute—

““secondary contributor” means the person who, in respect of earnings from employed earner’s employment, is liable to pay a secondary Class 1 contribution under section 6(3) of the Social Security Contributions and Benefits Act 1992;”.

(3) In paragraph (3)(15) for “and regulation 46”, substitute “, regulation 46(16) and regulation 134(17)”.

Substitution of regulation 7 of the principal Regulations

3. For regulation 7 of the principal Regulations (lower and upper earnings limits)(18), substitute—

“Lower and upper earnings limits and earnings threshold

7. For the purposes of section 5(1) of the Social Security Contributions and Benefits Act 1992 (which provides for lower and upper earnings limits and an earnings threshold to be specified for each tax year in respect of Class 1 contributions), for the year which begins on 6th April 1999—

- (a) the lower earnings limit (for primary Class 1 contributions) for that year shall be £66;
- (b) the upper earnings limit (for primary Class 1 contributions) for that year shall be £500;
- (c) the earnings threshold (for secondary Class 1 contributions) for that year shall be—
 - (i) £83 per week where the earnings period is a week;
 - (ii) £361 per month where the earnings period is a month;
 - (iii) £4,335 per year where the earnings period is a year.”.

Substitution of regulation 8 of the principal Regulations

4. For regulation 8 of the principal Regulations (equivalent amounts)(19), substitute—

“Equivalent amounts

8.—(1) The equivalent amounts for the purposes of sections 6(1), 8(1) and 9(1) of the Social Security Contributions and Benefits Act 1992 (which provide for liability for Class 1 contributions, the calculation of primary Class 1 contributions and the calculation of secondary Class 1 contributions respectively) and sections 41(1) and 42A(1) of the Pension Schemes Act 1993 (which provide for the calculation of the amount of the reduction of Class 1 contributions in respect of members of a COSRS and a COMPS respectively) shall be determined in accordance with the following provisions of this regulation.

(2) The respective equivalent amounts for the purposes of sections 6(1)(a) and 8(1) of the Social Security Contributions and Benefits Act 1992 and sections 41(1) and 42A(1) of the Pension Schemes Act 1993 shall be—

(15) Paragraph (3) was added by regulation 2(2) of S.I. 1998/2211.

(16) Regulation 46 was amended by regulation 5 of S.I. 1992/97.

(17) Regulation 134 was amended by regulation 2(5) of S.I. 1989/345 and is substituted by regulation 18 of these Regulations.

(18) Regulation 7 was amended by regulation 2 of S.I. 1998/523.

(19) Regulation 8 was amended by regulation 4 of S.I. 1987/413, regulation 2 of S.I. 1987/2111 and regulation 3(3) of S.I. 1989/1677.

- (a) where the earnings period is a multiple of a week, the amounts calculated by multiplying the weekly lower and upper earnings limits (“the weekly limits”) by the corresponding multiple;
- (b) where the earnings period is a month, the amounts calculated by multiplying each of the weekly limits by 4 1/3
- (c) where the earnings period is a multiple of a month, the amounts calculated by multiplying each of the weekly limits by 4 1/3 and multiplying each product by the corresponding multiple;
- (d) in any other case, the amounts calculated by dividing each of the weekly limits by 7 and multiplying each product by the number of days in the earnings period concerned.

(3) The respective equivalent amount for the purpose of sections 6(1)(b) and 9(1) of the Social Security Contributions and Benefits Act 1992 shall be—

- (a) where the earnings period is a multiple of a week, the amount calculated by dividing the annual earnings threshold by 52 and multiplying the product by the corresponding multiple;
- (b) where the earnings period is a multiple of a month, the amount calculated by dividing the annual earnings threshold by 12 and multiplying the product by the corresponding multiple;
- (c) in any other case, the amount calculated by dividing the annual earnings threshold by 365 and multiplying the product by the number of days in the earnings period concerned,

and for the purposes of this paragraph “annual earnings threshold” means the earnings threshold applicable to an earnings period of a year specified in regulation 7(c)(iii) of these Regulations.

(4) The amounts determined in accordance with—

- (a) paragraph (2)(b) and (c);
- (b) paragraph (3)(a) and (b),

of this regulation, if not whole pounds, shall be rounded up to the next whole pound.

(5) The calculation prescribed in—

- (a) paragraph (2)(d);
- (b) paragraph (3)(c),

of this regulation shall be to the nearest £0.01, and any amount of £0.005 or less shall be disregarded.”.

Revocation of regulation 8A of the principal Regulations

5. Regulation 8A of the principal Regulations (equivalent earnings brackets for earners paid otherwise than weekly)(20) is hereby revoked.

Amendment of regulation 9 of the principal Regulations

6.—(1) Regulation 9 of the principal Regulations (calculation of earnings-related contributions)(21) shall be amended in accordance with the following provisions of this regulation.

(20) Regulation 8A was inserted by regulation 5(3) of S.I. 1985/1398 and amended by regulation 5 of S.I. 1987/413, regulation 3 of S.I. 1987/2111 and regulation 3(4) of S.I. 1989/1677.

(21) Regulation 9 was amended by regulation 5(4) of S.I. 1985/1398.

(2) For paragraph (1), substitute—

“(1) Subject to the provisions of paragraphs (3) and (4) of this regulation, earnings-related contributions shall be calculated in accordance with the following provisions of this paragraph—

- (a) primary and secondary Class 1 contributions under section 6 of the Social Security Contributions and Benefits Act 1992 (liability for Class 1 contributions) and any primary and secondary Class 1 contributions at the normal rate and at the contracted-out rate shall each be calculated separately; and
- (b) as regards the calculation referred to in sub-paragraph (a) of this paragraph—
 - (i) primary and secondary Class 1 contributions shall be calculated to the nearest £0.01 and any amount of £0.005 or less shall be disregarded,
 - (ii) earnings which in the relevant earnings period exceed the current lower earnings limit by £0.01, but not by more than £0.10, shall be treated as having exceeded that limit by £0.10.”.

(3) In paragraph (5) for “under paragraph 1(1) of Schedule 1 to the Act,”, substitute “under paragraph 1(1) of Schedule 1 to the Social Security Contributions and Benefits Act 1992 (Class 1 contributions where earner employed in more than one employment),”.

Substitution of regulation 17 of the principal Regulations

7. For regulation 17 of the principal Regulations (annual maximum)(**22**), substitute—

“Annual maximum

17. Subject to the provisions of section 12 of the Social Security Contributions and Benefits Act 1992 (late paid Class 2 contributions) and of regulations 43B, 43C and 43D of these Regulations(**23**), for the purposes of section 19(1) and (2) of that Act (power to prescribe maximum amounts of contributions and repayment of excess) where an earner is employed in more than one employment but without prejudice to the earner’s liability in the first instance for the full amounts payable apart from this regulation, liability in any year for primary Class 1 contributions, or, where both Class 1 and Class 2 contributions are payable by an earner in any year, for both primary Class 1 contributions and Class 2 contributions shall not exceed an amount equal to 53 primary Class 1 contributions at the primary percentage payable on earnings at the upper earnings limit for that year.”.

Amendment of regulation 18 of the principal Regulations

8. In regulation 18 of the principal Regulations (calculation of earnings) after paragraph (20)(**24**), add—

“(21) Where, pursuant to a retirement benefits scheme, a payment is made with a view to the provision of any benefits under such a scheme in relation to more than one person, the amount of earnings which is comprised in such a payment and which falls to be taken into account in the computation of each of those person’s earnings shall, for the purposes of earnings-related contributions, be calculated or estimated on the basis of—

(22) Regulation 17 was amended by regulation 2 of S.I. [1985/398](#).

(23) Regulations 43B to 43D were inserted by regulation 4 of S.I. [1985/397](#) and amended by regulation 5(8) and (9) of S.I. [1985/1398](#) and regulation 2 of S.I. [1991/1935](#).

(24) Paragraph (20) was added by regulation 2(6) of S.I. [1999/567](#).

- (a) where the separate benefits to be provided to each of them respectively are known at the time of the payment, separate payments which would have had to have been paid to secure those benefits;
- (b) where the separate benefits to be provided to each of them respectively are not known at the time of the payment, an equal part thereof.”

Amendment of regulation 19 of the principal Regulations

9.—(1) Regulation 19 of the principal Regulations (payments to be disregarded) shall be amended in accordance with the following provisions of this regulation.

(2) After paragraph (1)(zm)(25), add—

- “(zn) a payment—
 - (i) to which section 595 of the Income and Corporation Taxes Act 1988 (charge to tax in respect of certain sums paid by an employer pursuant to a retirement benefits scheme)(26) does not apply by virtue of section 596(1) or (2)(b)(27) of that Act,
 - (ii) to a pilots' benefit fund under section 607 of the Income and Corporation Taxes Act 1988 (pilots' benefit fund)(28),
 - (iii) to which section 608 of the Income and Corporation Taxes Act 1988 (superannuation funds approved before 6th April 1980) applies,
 - (iv) by way of any benefit pursuant to a scheme or fund falling within heads (i), (ii) or (iii) of this sub-paragraph;
- (zo) a payment by way of relevant benefits pursuant to a retirement benefits scheme which has not been approved by the Board of Inland Revenue for the purposes of Chapter I of Part XIV of the Income and Corporation Taxes Act 1988 (retirement benefit schemes) and attributable to payments prior to 6th April 1998; for the purposes of this sub-paragraph “relevant benefits” has the meaning assigned to it in section 612 of the Income and Corporation Taxes Act 1988;
- (zp) a payment by way of any benefit pursuant to a retirement benefits scheme which has not been approved by the Board of Inland Revenue for the purposes of Chapter I of Part XIV of the Income and Corporation Taxes Act 1988 and attributable to payments on or after 6th April 1998 which have previously been included in a person’s earnings for the purposes of his assessment of earnings-related contributions;
- (zq) a payment made in respect of a scheme which is bona fide established for the sole purpose of providing relevant benefits, where at the time of the payment—
 - (i) an application for approval of the scheme has been made to the Board of Inland Revenue in accordance with section 604 of the Income and Corporation Taxes Act 1988 (application for approval of a scheme)(29),
 - (ii) that application has not been rejected,
 - (iii) the payment represents contributions in respect of an employed earner’s earnings not in excess of the permitted maximum in force at the time it is made,
 - (iv) the terms of the scheme do not permit any pension payable under it, in whole or in part, to be surrendered, commuted or assigned except in so far as to allow an employed earner on retirement to obtain, by commutation of his pension, a lump

(25) Sub-paragraph (zm) was added by regulation 3(2)(b) of S.I. 1999/567.

(26) Section 595 was amended by paragraph 7 of Schedule 6 to the Finance Act 1989 (c. 26).

(27) Section 596 was amended by paragraph 8 of Schedule 6 to the Finance Act 1989.

(28) Section 607 was amended by section 104(2) of the Finance Act 1994 (c. 9).

(29) Section 604 was amended by paragraph 3 of Schedule 15 to the Finance Act 1998 (c. 36).

sum or sums not exceeding in all three-eighths of his final remuneration for each year of his service up to a maximum of 40,

- (v) where the scheme is connected with another scheme or schemes each of which is an approved scheme, the amount payable by way of pension or commuted pension under the scheme will not, when aggregated with any amount payable by way of pension or commuted pension under the other scheme or schemes, exceed the relevant amount, and
- (vi) in the case of a small self-administered scheme, the provisions of regulation 9 of the Retirement Benefits Schemes (Restriction on Discretion to Approve) (Small Self-administered Schemes) Regulations 1991 (provisions as to pensioner trustees)(30) have been satisfied,

but this sub-paragraph shall not apply to a small self-administered scheme to which the provisions of regulation 3 of the Retirement Benefits Schemes (Restriction on Discretion to Approve) (Small Self-administered Schemes) Regulations 1991 (restrictions on the Board's discretion) apply;

- (zr) a payment to a pension scheme which is afforded relief from taxation by virtue of—
 - (i) Article 25(8) of the Convention set out in the Schedule to the Double Taxation Relief (Taxes on Income) (France) Order 1968(31),
 - (ii) Article 17A of the Convention set out in the Schedule to the Double Taxation Relief (Taxes on Income) (Republic of Ireland) Order 1976 (pension scheme contributions)(32); for the purposes of this head that Article shall be read as if the words “or is being considered for approval” were omitted,
 - (iii) Article 28(3) of the Convention set out in the Schedule to the Double Taxation Relief (Taxes on Income) (Denmark) Order 1980 (miscellaneous rules)(33).”

(3) After paragraph (11)(34), add—

“(12) For the purposes of paragraph (1)(zq) of this regulation—

- (a) “relevant benefits” has the meaning assigned to it in section 612 of the Income and Corporation Taxes Act 1988;
- (b) “permitted maximum” shall be the amount for the time being specified in an order made under section 590C(6) of the Income and Corporation Taxes Act 1988 (earnings cap)(35);
- (c) whether or not a scheme is connected with another scheme or schemes shall be determined in accordance with the provisions of section 590A(2) to (4) of the Income and Corporation Taxes Act 1988 (section 590: supplementary provisions)(36);
- (d) “relevant amount”, in the case of a pension which is not a commuted pension, shall be determined in accordance with the provisions of section 590B(3) and (7) to (11) of the Income and Corporation Taxes Act 1988 (section 590: further supplementary provisions)(37) and, in the case of a pension which is a commuted pension, the provisions of section 590B(4) and (7) to (11) of that Act;

(30) S.I. 1991/1614.

(31) S.I. 1968/1869; paragraph (8) was added by Article 16 of the Protocol set out in the Schedule to S.I. 1987/2055.

(32) S.I. 1976/2151; Article 17A was added by Article I of the Protocol set out in the Schedule to S.I. 1995/764.

(33) S.I. 1980/1960; paragraph (3) was replaced by Article X(2) of the Protocol set out in Part I of the Schedule to S.I. 1996/3165.

(34) Paragraph (11) was added by regulation 3(3) of S.I. 1999/567.

(35) Section 590C was inserted by paragraph 4 of Schedule 6 to the Finance Act 1989.

(36) Section 590A was inserted by paragraph 4 of Schedule 6 to the Finance Act 1989.

(37) Section 590B was inserted by paragraph 4 of Schedule 6 to the Finance Act 1989 and subsection (11) was amended by section 107(6) of the Finance Act 1993 (c. 34).

- (e) “small self-administered scheme” has the meaning assigned to it in regulation 2(1) of the Retirement Benefits Schemes (Restriction on Discretion to Approve) (Small Self-administered Schemes) Regulations 1991.”.

Amendment of regulation 28 of the principal Regulations

10.—(1) Regulation 28 of the principal Regulations (precluded Class 3 contributions) shall be amended in accordance with the following provisions of this regulation.

(2) In paragraph (1)(**38**) for the words “upon which” in each place where they occur, substitute “in respect of which”.

(3) In paragraph (3) for “section 5(3) of the Pensions Act”, substitute “section 122(1) of the Social Security Contributions and Benefits Act 1992 (interpretation)”.

Amendment of regulation 32 of the principal Regulations

11.—(1) Regulation 32 of the principal Regulations (return of contributions) shall be amended in accordance with the following provisions of this regulation.

(2) In paragraph (1)(b)(**39**) for “standard rate contribution”, substitute “contribution at the primary percentage”.

(3) In paragraph (2)(c) for “standard rate”, substitute “primary percentage”.

(4) For paragraph (2)(d) and (e)(**40**), substitute—

“(d) any amount of primary Class 1 contributions reduced in accordance with section 41(1) and (1A) of the Pension Schemes Act 1993 in respect of COSRS employment as specified in head (i), (ii) or (iii) of this sub-paragraph—

(i) where the amount paid at the contracted-out rate is equal to or exceeds 53 times the amount payable on earnings at the upper earnings limit for that year, the amount paid at the normal rate in excess of 53 times the amount, calculated at the primary percentage specified in section 8(2) of the Social Security Contributions and Benefits Act 1992, payable on earnings at the lower earnings limit for that year and the amount paid at the contracted-out rate if any;

(ii) where the amount paid at the contracted-out rate is less than 53 times the amount payable on earnings at the upper earnings limit for that year, the amount paid at the normal rate;

(iii) where no amount has been paid at the contracted-out rate, the amount paid at the normal rate;

(e) any amount of primary Class 1 contributions reduced in accordance with section 42A(1) and (2) of the Pension Schemes Act 1993 in respect of COMPS employment as specified in head (i), (ii) or (iii) of this sub-paragraph—

(i) where the amount paid at the contracted-out rate is equal to or exceeds 53 times the amount payable on earnings at the upper earnings limit for that year, the amount paid at the normal rate in excess of 53 times the amount, calculated at the primary percentage specified in section 8(2) of the Social Security Contributions and Benefits Act 1992, payable on earnings at the lower earnings limit for that year and the amount paid at the contracted-out rate if any;

(38) Paragraph (1) was amended by regulation 7 of S.I. 1987/413.

(39) Sub-paragraph (b) was substituted by regulation 2 of S.I. 1992/1440.

(40) Sub-paragraphs (d) and (e) were substituted by regulation 4(2)(b) of S.I. 1996/2407.

- (ii) where the amount paid at the contracted-out rate is less than 53 times the amount payable on earnings at the upper earnings limit for that year, the amount paid at the normal rate;
- (iii) where no amount has been paid at the contracted-out rate, the amount paid at the normal rate.”.

Insertion of regulation 32A into the principal Regulations

12. After regulation 32 of the principal Regulations (return of contributions), insert—

“Return of contributions: further provisions

32A.—(1) Paragraph (2) of this regulation applies where—

- (a) payment is made in respect of a scheme bona fide established for the sole purpose of providing relevant benefits;
- (b) earnings-related contributions have been paid by a person or a secondary contributor in respect of any such payment;
- (c) that payment is made prior to the approval of that scheme for the purposes of Chapter I of Part XIV of the Income and Corporation Taxes Act 1988 (retirement benefit schemes); and
- (d) the scheme is subsequently approved by the Board of Inland Revenue.

(2) The earnings-related contributions paid in respect of any payment referred to in paragraph (1)(a) of this regulation for the period in respect of which the approval referred to in paragraph (1)(d) of this regulation operates, shall be returned to the person or secondary contributor who paid them if an application to that effect is made in writing to the Secretary of State within the period of six years from the date from which the Board of Inland Revenue’s approval of that scheme operates.

(3) For the purposes of this regulation “relevant benefits” has the meaning assigned to it in section 612 of the Income and Corporation Taxes Act 1988.”.

Amendment of regulation 36 of the principal Regulations

13. In regulation 36 of the principal Regulations (crediting of Class 3 contributions)(**41**) for “upon which”, substitute “in respect of which”.

Amendment of regulation 49 of the principal Regulations

14. In regulation 49(3) of the principal Regulations (which specifies the amount of primary Class 1 contributions beyond which an employed earner is excepted from liability) for the words “the rate applicable to the earner on earnings at the upper earnings limit” in both places where they occur, substitute “the primary percentage payable on earnings at the upper earnings limit for that year”.

Amendment of regulation 61 of the principal Regulations

15.—(1) Regulation 61 of the principal Regulations (exception from Class 4 liability by reference to Class 1 contributions paid on earnings chargeable to income tax under Schedule D)(**42**) shall be amended in accordance with the following provisions of this regulation.

(2) For paragraph (1), substitute—

(41) Regulation 36 was amended by regulation 8 of S.I. 1987/413.

(42) Regulation 61 was amended by regulation 6(a) of S.I. 1985/1398 and regulation 3(6) of S.I. 1989/1677.

“(1) Subject to the provisions of paragraph (2) of this regulation, where in respect of earnings paid in any year of assessment an earner has or, but for the provisions of regulation 49 of these Regulations, would have paid Class 1 contributions and those earnings are chargeable to income tax under Schedule D, he shall be excepted from liability to pay contributions under section 15(1), (2) and (5) of the Social Security Contributions and Benefits Act 1992 (Class 4 contributions recoverable under the Income Tax Acts) on so much of his profits or gains for that year of assessment as exceed the smaller of the two money sums specified in section 15(3)(43) of that Act and do not exceed the greater of those two money sums and equal—

- (a) in the case of an earner who has or, but for the said provisions, would have paid Class 1 contributions at the normal rate, the value of Class 1 contributions so paid or which, but for the said provisions, would have been paid, multiplied by 100 and divided by the figure of the primary percentage;
- (b) in the case of an earner who has or, but for the said provisions, would have paid Class 1 contributions at the reduced rate, the value of the Class 1 contributions so paid or which, but for the said provisions, would have been paid, multiplied by 100 and divided by the figure of the reduced rate;
- (c) in the case of an earner who has or, but for the said provisions, would have paid Class 1 contributions at the contracted-out rate, the value of the Class 1 contributions so paid or which, but for the said provisions, would have been paid, multiplied by 100 and divided by the figure of the contracted-out rate.”.

(3) In paragraph (4) for “section 9(2) of the Act”, substitute “section 15(3) of the Social Security Contributions and Benefits Act 1992”.

Amendment of regulation 67 of the principal Regulations

16. In regulation 67(2) of the principal Regulations (which deals with the extent of an earner’s liability for Class 4 contributions where primary Class 1 contributions are paid at less than the standard rate) for the words “paid at a rate less” to the end, substitute “paid at less than the primary percentage specified in section 8(2) of the Social Security Contributions and Benefits Act 1992 shall be treated as equal to the amount of any primary Class 1 contributions payable at that percentage on the same amount of earnings.”.

Amendment of regulation 121 of the principal Regulations

17. In regulation 121(3)(a) of the principal Regulations (Class 2 and Class 3 contributions for periods abroad) for “the Act” and “Class 1 contributions”, substitute “the Social Security Contributions and Benefits Act 1992” and “primary Class 1 contributions” respectively.

Substitution of regulation 134 of the principal Regulations

18. For regulation 134 of the principal Regulations (modification of section 134(4) of the Act), substitute—

“Modification of section 162(5) of the Social Security Administration Act 1992

134. In section 162 of the Social Security Administration Act 1992 (destination of contributions), subsection (5)(44) (which specifies the amount of the national health service allocation to be deducted from each class of contribution prior to their payment into

(43) Section 15(3) is amended by article 4 of S.I. 1999/263.

(44) Subsection (5) is amended by section 2(1) of the Social Security (Contributions) Act 1994 (c. 1) and section 65(2) of, and paragraph 99(3) of Schedule 7 to, the Social Security Act 1998.

the National Insurance Fund) shall be modified, in the case of contributions paid at the rate reduced in accordance with regulation 89(1) of these Regulations (modification of section 9(2) of the Social Security Contributions and Benefits Act 1992 in relation to mariners), as if, instead of the percentage figure specified in paragraph (b) of that subsection, there were the percentage figure, “0.6”.

Amendment of Schedule 1 to the principal Regulations

19.—(1) Schedule 1 to the principal Regulations (application of the Income Tax (Employments) Regulations 1973⁽⁴⁵⁾ to earnings-related contributions and Class 1A contributions) shall be amended in accordance with the following provisions of this regulation.

(2) In Regulation 2(1) (definitions) for the definition of “contracted-out percentage”, substitute—
““contracted-out rate” means, in relation to Class 1 contributions payable in respect of earnings paid to or for the benefit of an earner who is in—

- (a) COSRS employment, the reduced amount for the time being applying in accordance with section 41(1) to (1B) of the Pension Schemes Act 1993;
- (b) COMPS employment, the reduced amount for the time being applying in accordance with section 42A(1) to (2A) of the Pension Schemes Act 1993;”.

(3) In Regulation 13 (calculation of deduction)—

(a) for paragraph (6)⁽⁴⁶⁾, substitute—

“(6) Subject to the provisions of paragraph (6B) of this Regulation and Regulations 13A(b) and 26D(4), the employer shall record on the deductions working sheet for that employee the name and national insurance number of the employee, the year to which the working sheet relates, the appropriate category letter from time to time being in relation to the employee (being the appropriate category letter indicated by the Secretary of State) and, in so far as relevant to that category letter, the following particulars regarding every payment of emoluments which he makes to the employee namely—

- (a) the date of payment;
- (b) the amount of—
 - (i) earnings up to and including the current lower earnings limit where earnings equal or exceed that figure,
 - (ii) earnings which exceed the current lower earnings limit but do not exceed the current earnings threshold,
 - (iii) earnings which exceed the current earnings threshold but do not exceed the current upper earnings limit,
 - (iv) the primary Class 1 contributions payable on the amounts recorded under heads (i) to (iii) of this sub-paragraph together with the secondary Class 1 contributions payable on all earnings in respect of which such contributions are payable; this head shall not apply to such contributions payable on earnings under paragraph (2A)⁽⁴⁷⁾ of this Regulation;
 - (v) the primary Class 1 contributions included in the amount recorded under head (iv) of this sub-paragraph;
 - (vi) any statutory maternity pay;

⁽⁴⁵⁾ S.I. 1973/334; this and its subsequent amending instruments were consolidated as S.I. 1993/744.

⁽⁴⁶⁾ Paragraph (6) was amended by regulation 5(a) of S.I. 1981/82, regulation 8(b) of S.I. 1983/395; regulation 16(a) of S.I. 1984/77, regulation 11(3) of S.I. 1987/413, regulation 3(2) of S.I. 1991/640, regulation 4 of S.I. 1992/1440 and regulation 5(3) of S.I. 1996/777.

⁽⁴⁷⁾ Paragraph (2A) was amended by regulation 3 of S.I. 1982/1033 and regulation 8(a) of S.I. 1983/395.

- (c) when the employment is contracted-out employment the amount of any reduction calculated in accordance with sections 41(1) to (1B) and 42A(1) to (2A) of the Pension Schemes Act 1993 on the amount of a Class 1 contribution in respect of earnings recorded under head (ii) of the last preceding sub-paragraph.”;
- (b) in paragraph (6B)(48) for “heads (iii) and (iv)”, substitute “heads (iv) and (v)”.
- (4) In Regulation 25(a)(ii) and (v) (certificate of contributions paid)(49) for “contracted-out percentage”, substitute “contracted-out rate”.
- (5) In Regulation 30(1) (return by employer at end of year)(50)—
- (a) for sub-paragraph (c)(51), substitute—
- “(c) in respect of each and under each of the category letters, the total amounts for the year shown under—
- (i) each of the heads (i) to (v) severally of Regulation 13(6)(b) (such amounts being rounded down to the next whole pound if not already whole pounds in the case of heads (i) to (iii)), and
- (ii) Regulation 13(6)(c), and”;
- (b) omit sub-paragraphs (f) and (g)(52);
- (c) in sub-paragraph (h)(53) for “head (iii)”, substitute “head (iv)”.
- (6) In Regulation 30A(2) (f) and (h) (special return by employer at end of voyage period)(54) for “contracted-out percentage”, substitute “contracted-out rate”.

Amendment of the Social Security (Credits) Regulations 1975

20. In—

- (a) regulation 2(1) of the Social Security (Credits) Regulations 1975 (interpretation)(55), in the definition of “relevant earnings factor”; and
- (b) regulation 9(a) of those Regulations (which deals with earnings which a person is entitled to be credited with to enable him to satisfy the second contribution condition)(56),
- for the words “upon which” in each place where they occur, substitute “in respect of which”.

(48) Paragraph (6B) was amended by regulation 8(d) of S.I. 1983/395.

(49) Regulation 25 was inserted by regulation 17 of S.I. 1984/77 and by regulation 6 of S.I. 1992/1440.

(50) Regulation 30(1) was substituted by regulation 7(a) of S.I. 1981/82 and amended by regulation 5 of S.I. 1985/396 and regulation 2(3)(a) of S.I. 1990/605.

(51) Sub-paragraph (c) was amended by regulation 11(a) of S.I. 1983/395 and regulation 13(2) of S.I. 1992/1440.

(52) Sub-paragraphs (f) and (g) were added by regulation 11(7) of S.I. 1987/413 and sub-paragraph (g) was substituted by regulation 13(3) of S.I. 1992/1440.

(53) Sub-paragraph (h) was substituted by regulation 13(3) of S.I. 1992/1440.

(54) Regulation 30A was inserted by regulation 4(2) of S.I. 1982/206; sub-paragraph (f) was amended by regulation 14(2) of S.I. 1992/1440 and sub-paragraph (h) was added by regulation 11(8)(b) of S.I. 1987/413 and amended by regulation 14(4) of S.I. 1992/1440.

(55) S.I. 1975/556; the definition of “relevant earnings factor” was substituted by regulation 2 of S.I. 1987/414 and amended by regulation 2(2)(d) of S.I. 1996/2367.

(56) Regulation 9 was substituted by regulation 7 of S.I. 1996/2367.

Signed by authority of the Secretary of State for Social Security.

5th March 1999

Stephen C. Timms
Minister of State,
Department of Social Security

The Commissioners of Inland Revenue hereby concur.

5th March 1999

S. C. T. Matheson
Tim Flesher
Two of the Commissioners of Inland Revenue

Status: This is the original version (as it was originally made). This item of legislation is currently only available in its original format.

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Social Security (Contributions) Regulations 1979 (“the principal Regulations”) and the Social Security (Credits) Regulations 1975.

Regulation 2(2) substitutes the definitions of “contracted-out rate”, “non-contracted-out-rate”, “normal percentage” and “secondary contributor” and inserts a definition of “retirement benefits scheme”.

Regulation 3 substitutes regulation 7 of the principal Regulations to specify the lower earnings limit, upper earnings limit and earnings threshold for the tax year beginning on 6th April 1999.

Regulation 4 substitutes regulation 8 of the principal Regulations to provide for the computation of primary and secondary Class 1 contributions where an employed earner’s earnings period is other than a week.

Regulation 5 revokes regulation 8A of the principal Regulations which provided for equivalent earnings brackets for earners paid otherwise than weekly.

Regulation 6 amends regulation 9 of the principal Regulations by substituting paragraph (1) to provide for the calculation of primary and secondary Class 1 contributions at the normal and contracted-out rate.

Regulation 7 substitutes regulation 17 of the principal Regulations to specify that liability in any year for primary Class 1 contributions, and in certain cases Class 2 contributions, shall not exceed an amount calculated in accordance with that regulation.

Regulation 8 is made before the end of the period of 6 months beginning with the coming into force of section 48 of the Social Security Act 1998 on 8th September 1998 and is therefore exempt, by virtue of section 173(5)(a) of the Social Security Administration Act 1992 (c. 5) from reference to the Social Security Advisory Committee and has not been so referred. Regulation 8 amends regulation 18 of the principal Regulations by adding new paragraph (21) which provides for the calculation of a person’s earnings in respect of a payment pursuant to a retirement benefits scheme in relation to more than one person.

Regulation 9 amends regulation 19 of the principal Regulations (payments to be disregarded). Regulation 9(2) adds five new sub-paragraphs (zn) to (zr).

New sub-paragraph (zn) relates to payments to, and payments by way of benefits pursuant to, retirement benefits schemes referred to in section 596(1) or (2)(b) of the Income and Corporation Taxes Act 1988, pilots’ benefit funds and superannuation funds approved before 6th April 1980. New sub-paragraph (zo) relates to a payment by way of relevant benefits attributable to payments prior to 6th April 1998 and pursuant to a retirement benefits scheme which was not approved by the Board of Inland Revenue.

New sub-paragraph (zp) relates to a payment by way of any benefit pursuant to a retirement benefits scheme which was not approved by the Board of Inland Revenue and attributable to payments on or after 6th April 1998 which have already been included in a person’s earnings for the purposes of his assessment of earnings-related contributions, new sub-paragraph (zq) relates to a payment made to a scheme established for the sole purpose of providing relevant benefits where, at the time of payment, certain conditions are satisfied and new sub-paragraph (zr) to payments to pension schemes which are afforded relief from taxation under certain taxation Conventions.

Regulation 9(3) makes incidental provision for the purposes of new sub-paragraph (zq).

Regulation 12 inserts a new regulation 32A into the principal Regulations which provides for the return, upon application, of earnings-related contributions paid in respect of a payment made to a retirement benefits scheme prior to it obtaining Inland Revenue approval for the period in respect of which that approval is subsequently given.

Regulation 15 amends regulation 61 of the principal Regulations to provide for the calculation of an exception from liability to pay Class 4 contributions.

Regulation 19 amends Schedule 1 to the principal Regulations. Regulation 19(3) substitutes paragraph (6) of Regulation 13 of Schedule 1. New paragraph (6) requires deductions working sheets to be maintained in respect of employed earners and specifies the details to be recorded thereon. Regulation 19(5) amends Regulation 30(1) of Schedule 1 to specify the details to be recorded on a return made by an employer at the end of a tax year.

Regulation 20 makes consequential amendments to regulations 22(1) and 9(a) of the Social Security (Credits) Regulations 1975.

Consequential amendments to regulations 28, 32, 36, 49, 67, 121 and 134 of, and Regulations 2(1), 25 and 30A of Schedule 1 to, the principal Regulations are made by regulations 10, 11, 13, 14, 16, 17, 18 and 19(2), (4) and (6) respectively.

The costs to business of these amendments were covered in the Regulatory Impact Assessment for the Social Security Act 1998 and in respect of regulations 8 and 9 in a further Regulatory Impact Assessment. A copy of these Assessments can be obtained from Department of Social Security, Better Regulation Unit, Level 3, The Adelphi, 1–11 John Adam Street, London WC2N 6HT. A copy of both Assessments has been placed in the libraries of both Houses of Parliament.