
STATUTORY INSTRUMENTS

1989 No. 1677

SOCIAL SECURITY

The Social Security (Contributions) (Transitional and Consequential Provisions) Regulations 1989

<i>Made</i>	- - - -	<i>12th September 1989</i>
<i>Laid before Parliament</i>		<i>14th September 1989</i>
<i>Coming into force</i>	- -	<i>5th October 1989</i>

The Secretary of State for Social Security, in exercise of powers conferred upon him by section 31(3) of the Social Security Act 1989⁽¹⁾ and of all other powers enabling him in that behalf, by this instrument, which contains only regulations consequential upon section 1 of the Social Security Act 1989 and which is made before the end of the period of 6 months beginning with the coming into force of that enactment, makes the following Regulations:

Citation, commencement and interpretation

1.—(1) These Regulations may be cited as the Social Security (Contributions) (Transitional and Consequential Provisions) Regulations 1989 and shall come into force on 5th October 1989.

(2) In these Regulations—

“the Act” means the Social Security Act 1975⁽²⁾;

“the principal Regulations” means the Social Security (Contributions) Regulations 1979⁽³⁾; and other expressions have the same meanings as in that Act or, as the case may be, those Regulations.

(3) Unless the context otherwise requires, any reference in these Regulations to a numbered regulation is a reference to the regulation bearing that number in the principal Regulations.

Transitional provisions for assessment of primary Class 1 contributions

2.—(1) This regulation applies in the case of a person who—

- (a) on 5th October 1989 is a director of a company and has been such a director continuously since 6th April 1989 and in respect of whose earnings, by virtue of regulation 6A(1) and (3), the earnings period is the year beginning on 6th April 1989; or

(1) 1989 c. 24.

(2) 1975 c. 14.

(3) S.I. 1979/591; relevant amending instruments are S.I. 1980/1975, 1982/1739, 1983/10, 1984/77, 1985/1398, 1986/485, 1987/413, 2111, 1988/992, 1989/345.

- (b) on or after 5th October 1989 is a director of a company and in respect of whose earnings the earnings period falls to be determined in accordance with—
 - (i) regulation 6A(1) and (2), or
 - (ii) regulation 6A(1) and (3),
 and which commenced during the period beginning with 6th April 1989 and ending with 4th October 1989; or
 - (c) is a person whose earnings, by virtue of regulations 2, 3, 5A, 21 or 22, are assessed by reference to an earnings period which is the year beginning on 6th April 1989; or
 - (d) after 5th April 1989 but before 5th October 1989 ceased to be a director of a company and—
 - (i) in respect of whose earnings, by virtue of regulation 6A(1) and (3), the earnings period is the year beginning on 6th April 1989, or
 - (ii) in respect of whose earnings, the earnings period is determined by virtue of regulation 6A(1) and (2),
 and is paid earnings in respect of any employed earner's employment with that company at any time in the period beginning with 5th October 1989 and ending with 5th April 1990; or
 - (e) ceased to be a director of a company before 6th April 1989, and—
 - (i) in respect of whose earnings, by virtue of regulation 6A(1) and (5), the earnings period is the year beginning on 6th April 1989, and
 - (ii) is paid earnings in respect of any period during which he was such a director at any time in the period beginning on 5th October 1989 and ending with 5th April 1990; or
 - (f) is a person whose earnings, by virtue of regulations 2, 3, 5A, 21 or 22, are assessed by reference to an earnings period which is the year beginning on 6th April 1989 and—
 - (i) after 5th April 1989 but before 5th October 1989 ceased to be employed in the employment from which those earnings derived, and
 - (ii) is paid any such earnings in the period beginning with 5th October 1989 and ending with 5th April 1990.
- (2) In the case of primary Class 1 contributions, in a case to which this regulation applies—
- (a) where the earnings period is the period mentioned in paragraph (1)(a), (b)(ii), (c), (d)(i), (e) or (f) of this regulation, for the purposes of section 4(6A) of the Act (incidence of Class 1 contributions)⁽⁴⁾ the primary percentages shall be—
 - (i) where the earnings in that earnings period do not exceed £2236, 3.5 per cent;
 - (ii) where the earnings in that earnings period exceed £2236 but do not exceed £3899.99, 3.5 per cent. of those earnings which do not exceed £2236 and 7 per cent. of those earnings which exceed £2236;
 - (iii) where the earnings in that earnings period exceed £3899.99 but do not exceed £5979.99, 4.5 per cent. of those earnings which do not exceed £2236 and 8 per cent. of those earnings which exceed £2236;
 - (iv) where the earnings in that earnings period exceed £5979.99, 5.5 per cent. of those earnings which do not exceed £2236 and 9 per cent. of those earnings which exceed £2236 but do not exceed £16,900;
 - (b) where the earnings period is the period mentioned in paragraph (1)(b)(i) or (d)(ii) of this regulation, for the purposes of section 4(6A) of the Act the primary percentages shall be obtained by dividing the amount of the earnings paid in the earnings period by the number of weeks therein and by applying the quotient as if it were a payment of weekly earnings.

(4) 1975 c. 14; section 4(6) to (6B) was substituted by the Social Security Act 1989 (c. 24), section 1(1).

Amendment of the principal Regulations

3.—(1) The principal Regulations shall be amended in accordance with the provisions of this regulation.

(2) In regulation 1(2) (interpretation), in the definitions of “non-contracted-out rate” and “standard rate” for the words “in section 4(6B)” there shall be substituted in each place where they appear the words “in section 4(6A)”.

(3) In regulation 8(1) (equivalent amounts), for the words “section 4(2)(b) and (6)” there shall be substituted the words “section 4(2)(b) and (6B)”.

(4) In regulation 8A (equivalent earnings brackets for earners paid otherwise than weekly)—

(a) in paragraphs (1) and (2), for the words “section 4(6B) and (6E)” there shall be substituted in each place where they appear the phrase “section 4(6E)”;

(b) for paragraph (5) there shall be substituted the following paragraph—

“(5) The respective equivalent higher brackets in the case of brackets 1 to 3 in the said section 4(6E) shall be £0.01 less than the next succeeding lower bracket.”.

(5) In regulation 32(2) (return of contributions), in sub-paragraph (d)(i) for the words “appropriate primary percentage rate specified for bracket 3 in section 4(6B)” there shall be substituted the words “initial primary percentage rate specified in section 4(6A)”.

(6) In regulation 61(1) (exception from Class 4 liability by reference to Class 1 contributions paid on earnings chargeable to income tax under Schedule D), in sub-paragraph (a) for “section 4(6B)” there shall be substituted “section 4(6A)”.

(7) In regulation 90(2) (earnings periods for mariners and apportionment of earnings), for sub-paragraph (b)(i) there shall be substituted the following sub-paragraph—

“(i) the primary percentages for a primary Class 1 contribution specified in section 4(6A) of the Act or the appropriate percentage rate for a secondary Class 1 contribution specified in section 4(6E) of the Act,”.

(8) In regulation 104 (reduced rate for married women and widows), for the words “per cent.” there shall be substituted the words “per cent.; and in respect of earnings paid on or after 5th October 1989 the amount of primary Class 1 contribution payable at the reduced rate shall continue to be calculated by reference to that rate only.”.

(9) In regulation 115(1) (reduction of rate of Class 1 contributions for members of the forces), for the words from “shall be reduced –” to the end there shall be substituted the following—

“shall be reduced as follows—

(a) in the case of a primary contribution—

(i) where the percentage would be at the standard rate, the main primary percentage shall be reduced by 0.65,

(ii) where the percentage would be at the reduced rate, both the initial primary percentage and the main primary percentage shall be reduced by 0.65;

(b) in the case of a secondary contribution, by 0.7.”.

(10) In regulation 123D (special provisions for volunteer development workers)—

(a) in sub-paragraph (b) of paragraph (1), for the words from “the amount” to the end there shall be substituted the words “10 per cent. of the current lower earnings limit;”;

(b) paragraph (2) shall be omitted.

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

Savings

4. In relation to contributions in respect of earnings paid or treated as paid before 5th October 1989, the provisions of the principal Regulations shall apply as if regulation 3 of these Regulations had not been made.

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

12th September 1989

Nicholas Scott
Minister of State,
Department of Social Security

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations contain transitional, consequential and saving provisions in connection with the coming into force on 5th October 1989 of section 1 of the Social Security Act 1989 (“the 1989 Act”) by virtue of the Social Security Act 1989 (Commencement No. 1) Order 1989 (S.I. 1989/1238). Section 1 of the 1989 Act contains amendments, relating to primary Class 1 contributions, to section 4 and other provisions of the Social Security Act 1975 (c. 14).

The Regulations are made under section 31(3) of the 1989 Act. They are consequential upon the coming into force of section 1 of the 1989 Act. As they are made earlier than 6 months from the coming into force of that provision, they are exempted by section 61(5)(b) of the Social Security Act 1986 (c. 50), which was substituted for section 61(5) and (6) of that Act by paragraph 12(3) of Schedule 8 to the 1989 Act, from the requirement under section 10(1) of the Social Security Act 1980 (c. 30) to refer proposals for regulations to the Social Security Advisory Committee, and they are made without reference to that Committee.

Regulation 2 makes special transitional provision, in respect of tax year 1989–90, for the assessment of primary Class 1 contributions of company directors and others with an annual earnings period.

Regulation 3 contains amendments, consequential on section 1 of the 1989 Act, to the Social Security (Contributions) Regulations 1979 (“the principal Regulations”). In particular, regulation 3(5) amends regulation 32 of the principal Regulations in respect of the method of determining the order of priority in returning primary Class 1 contributions paid in excess of the annual maximum at the contracted-out percentage rate. Regulation 3(8) amends regulation 104 of the principal Regulations to make clear that the amount of primary Class 1 contributions in respect of earnings of married women and widows paying at the reduced rate specified in regulation 104 shall continue to be calculated by reference to that reduced rate. Regulation 3(9) amends regulation 115(1) of the principal Regulations to adjust the reduced percentage rates of primary Class 1 contributions for members of the forces. Regulation 3(10) amends regulation 123D of the principal Regulations to provide a new formula for calculation of the weekly rate of any Class 2 contributions payable by volunteer development workers: the new weekly rate is 10 per cent of the current lower earnings limit (£43), and the amount of the contribution therefore remains £4.30.

Regulation 4 provides savings in respect of provisions of the principal Regulations amended by regulation 3.