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STATUTORY INSTRUMENTS

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**1989 No. 26**

**SOCIAL SECURITY**

**The Social Security (Contributions and Allocation  
of Contributions) (Re-rating) Order 1989**

*Made* - - - - *10th January 1989*  
*Coming into force* - - *6th April 1989*

Whereas the Secretary of State for Social Security, as a result of carrying out in the tax year 1988–89 a review of the general level of earnings pursuant to subsections (2) and (3) of section 120 of the Social Security Act 1975(1), has determined that an Order should be made under that section amending Part I of the said Act by altering the rates of Class 2 and Class 3 contributions, the amount of earnings below which an earner may be excepted from liability for Class 2 contributions and the lower and upper limits of profits or gains to be taken into account for Class 4 contributions:

And whereas the Secretary of State, for the purposes of adjusting amounts payable by way of Class 1 contributions, has determined that an Order should be made under section 123A(1) and (2) of that Act(2) amending section 4(6B) and (6E) of that Act(3) by altering the weekly earnings figures therein specified:

And whereas a draft of the following Order was laid before Parliament in accordance with the provisions of sections 120(4), 121(2), 123A(6) and 167(1) of that Act(4) and approved by resolution of each House of Parliament:

Now, therefore, the Secretary of State for Social Security, in conjunction with the Treasury so far as relates to matters with regard to which the Treasury has so directed(5) and, in respect of articles 6 and 7 of this Order, with the consent of the Treasury, in exercise of powers conferred upon him by sections 120(5) and (6), 121(2), 123A(1) and (2) and 134(4A) and (5A)(6) of the said Act and of all other powers enabling him in that behalf, hereby makes the following Order:

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- (1) 1975 c. 14; section 120(2) was amended by the Social Security Pensions Act 1975 (c. 60), section 65 and Schedule 4, paragraph 50(b), and *see* paragraph 50(a).
- (2) Section 123A was inserted by section 7(5) of the Social Security Act 1985 (c. 53) and amended by section 74(1) and (2) of the Social Security Act 1986 (c. 50).
- (3) Section 4(6B) and (6E) was inserted by section 7(2) of the Social Security Act 1985; the relevant instrument amending section 4(6B) and (6E) is S.I. 1988/675.
- (4) Section 167(1) was amended by the Social Security (Contributions) Act 1981 (c. 1), section 4(5), and by the Social Security Act 1986, sections 62(3) and 74(4).
- (5) *See* section 166(5) of the Social Security Act 1975.
- (6) Section 134(4A) was inserted by the Social Security (Contributions) Act 1981, section 3(3); section 134(5A) was inserted by the Social Security Act 1986, section 74(3).

### **Citation, commencement and interpretation**

1.—(1) This Order may be cited as the Social Security (Contributions and Allocation of Contributions) (Re-rating) Order 1989 and shall come into force on 6th April 1989.

(2) In this Order “the Act” means the Social Security Act 1975.

### **Weekly earnings figures for primary and secondary earnings brackets**

2.—(1) Section 4 of the Act (incidence of Class 1 contributions) shall be amended in accordance with the provisions of this article.

(2) In subsection (6B)(7) (primary earnings brackets)—

- (a) for the figure £69.99 specified in respect of Bracket 1 there shall be substituted the figure £74.99;
- (b) for the figures £70.00 and £104.99 specified in respect of Bracket 2 there shall be substituted respectively the figures £75.00 and £114.99;
- (c) for the figure £105.00 specified in respect of Bracket 3 there shall be substituted the figure £115.00.

(3) In subsection (6E)(8) (secondary earnings brackets)—

- (a) for the figure £69.99 specified in respect of Bracket 1 there shall be substituted the figure £74.99;
- (b) for the figures £70.00 and £104.99 specified in respect of Bracket 2 there shall be substituted respectively the figures £75.00 and £114.99;
- (c) for the figures £105.00 and £154.99 specified in respect of Bracket 3 there shall be substituted respectively the figures £115.00 and £164.99;
- (d) for the figure £155.00 specified in respect of Bracket 4 there shall be substituted the figure £165.00.

### **Rate of, and small earnings exception from, Class 2 contributions**

3. In section 7 of the Act (Class 2 contributions)—

- (a) in subsection (1) (weekly rate) for the figure £4.05(9) there shall be substituted the figure £4.25;
- (b) in subsection (5) (small earnings exception) for the figure £2,250(10) there shall be substituted the figure £2,350.

### **Amount of Class 3 contribution**

4. In section 8(1) of the Act (amount of Class 3 contributions) for the figure £3.95(11) there shall be substituted the figure £4.15.

### **Lower and upper limits for Class 4 contributions**

5. In sections 9(2) and 10(1) of the Act (Class 4 contributions recoverable under Tax Acts and regulations)—

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(7) See S.I. 1988/675, article 2(2).

(8) See S.I. 1988/675, article 2(3).

(9) See S.I. 1988/675, article 3(a).

(10) See S.I. 1988/675, article 3(b).

(11) See S.I. 1988/675, article 4.

- (a) for the figure £4,750 (lower limit)(12) wherever it appears there shall be substituted in each of those sections the figure £5,050;
- (b) for the figure £15,860 (upper limit)(13) there shall be substituted in each of those sections the figure £16,900.

#### **Percentage rates of appropriate national health service allocation**

6.—(1) Section 134(4) of the Act(14) (allocation of contributions) shall be amended in accordance with the provisions of this article.

(2) In the definition of “the appropriate national health service allocation”–

- (a) in paragraph (a) (primary Class 1 contributions) for the words “0.95 per cent.”(15) there shall be substituted the words “1.05 per cent.”;
- (b) in paragraph (b) (secondary Class 1 contributions) for the words “0.8 per cent.” there shall be substituted the words “0.9 per cent.”.

#### **Appropriate employment protection allocation**

7. It is hereby directed that there shall be no appropriate employment protection allocation in relation to the tax year beginning on 6th April 1989 or in relation to any subsequent tax year, and section 134 of the Act shall have effect accordingly.

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

4th January 1989

*Skelmersdale*  
Parliamentary Under-Secretary of State,  
Department of Social Security

10th January 1989

*D. Lightbown*  
*David Maclean*  
Two of the Lords Commissioners of Her  
Majesty’s Treasury

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(12) See S.I. 1988/675, article 5(a).

(13) See S.I. 1988/675, article 5(b).

(14) Section 134(4) was amended by the Employment Protection Act 1975, section 40(1), by the Social Security (Contributions) Act 1982 (c. 2), section 3(3), and by the Social Security Act 1985 (c. 53), section 29(1) and Schedule 5, paragraph 11.

(15) See S.I. 1988/676, article 3(2).

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

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## EXPLANATORY NOTE

*(This note is not part of the Order)*

This Order provides for matters in respect of which the Social Security (Contributions, Re-rating) Order 1988 (S.I.1988/675) and the Social Security (Treasury Supplement to and Allocation of Contributions) (Re-rating) Order 1988 (S.I. 1988/676) contained provisions.

This Order increases the amounts of weekly earnings specified in the earnings brackets in section 4(6B) and (6E) of the Social Security Act 1975 (“the Act”), determining the appropriate percentage rate at which Class 1 contributions are payable under that Act (article 2). In both subsections, the increases in respect of Bracket 1 are from £69.99 to £74.99 and in respect of Bracket 2 from £70.00 and £104.99 to £75.00 and £114.99. In subsection (6B), the increase in respect of Bracket 3 is from £105 to £115. In subsection (6E), the increases in respect of Bracket 3 are from £105.00 and £154.99 to £115.00 and £164.99 and, in respect of Bracket 4, from £155.00 to £165.00.

The Order increases the rates of Class 2 and Class 3 contributions payable under the Act from £4.05 to £4.25 and from £3.95 to £4.15 respectively (articles 3(a) and 4). It increases from £2,250 to £2,350 the amount of earnings below which an earner may be excepted from liability for Class 2 contributions (article 3(b)). It also increases, from £4,750 to £5,050 and from £15,860 to £16,900, the lower and upper limits of profits or gains between which Class 4 contributions are payable (article 5).

This Order also increases the percentage rates of the appropriate national health service allocation in the cases of primary Class 1 contributions (from 0.95 to 1.05 per cent.) and of secondary Class 1 contributions (from 0.8 to 0.9 per cent.). It contains a direction that there shall be no appropriate employment protection allocation in relation to any tax year after 1988–89.

In accordance with sections 121(1) and 123A(6A) of the Act, a copy of the report by the Government Actuary (Cm. 537), giving his opinion on the likely effect on the National Insurance Fund of the making of the Order in so far as it amends sections 4(6B) and (6E), 7, 8(1), 9(2) and 10(1) of the Act, was laid before Parliament with a draft of this Order.