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 S T A T U T O R Y I N S T R U M E N T S
 

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## 2000 No. 755

### SOCIAL SECURITY

#### The Social Security (Contributions) (Re-rating and National Insurance Funds Payments) Order 2000

*Made* - - - - - *15th March 2000*

*Coming into force* - - - - - *6th April 2000*

Whereas the Treasury, as a result of carrying out in the tax year 1999–2000 a review of the general level of earnings in Great Britain pursuant to section 141(1) and (2) of the Social Security Administration Act 1992(a) (“the Administration Act”), have determined that an Order should be made under that section amending Part I of the Social Security Contributions and Benefits Act 1992(b) 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 Treasury, with a view to adjusting the level at which the National Insurance Fund stands for the time being and having regard to the sums which may be expected to be paid from the Fund in the financial year ending 31st March 2001, think it expedient that an Order should be made under section 143 of the Administration Act(c), altering the rate of Class 4 contributions:

And whereas this Order makes provision for Northern Ireland corresponding to that mentioned in the two preceding recitals, pursuant to section 129 of the Social Security Administration (Northern Ireland) Act 1992(d):

And whereas the Treasury, with a view to adjusting the level at which the National Insurance Fund stands for the time being and having regard to estimated benefit expenditure for the financial year ending 31st March 2001, think it expedient that an Order should be made under section 2(2) of the Social Security Act 1993 (“the 1993 Act”)(e):

And whereas the Treasury, with a view to adjusting the level at which the Northern Ireland National Insurance Fund stands for the time being and having regard to estimated benefit expenditure for the financial year ending 31st March 2001, think it expedient that an Order should be made under Article 4(3) of the Social Security (Northern Ireland) Order 1993 (“the 1993 Order”)(f):

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(a) 1992 c. 5; section 141(1) and (2) were amended by paragraph 44 of Schedule 3 to the Social Security Contributions (Transfer of Functions, etc.) Act 1999 (c. 2).

(b) 1992 c. 4.

(c) Section 143 was amended by paragraph 46 of Schedule 3 to the Social Security Contributions (Transfer of Functions, etc.) Act 1999.

(d) 1992 c. 8.

(e) 1993 c. 3; section 2 was amended by paragraph 60 of Schedule 3 to the Social Security Contributions (Transfer of Functions, etc.) Act 1999.

(f) S.I. 1993/592 (N.I. 2); Article 4 was amended by paragraph 52 of Schedule 3 to the Social Security Contributions (Transfer of Functions, etc.) (Northern Ireland) Order 1999 (S.I. 1999/671).

And whereas a draft of the following Order was laid before Parliament in accordance with the provisions of sections 141(3) and 190(1) of the Administration Act, section 166(10A) of the Social Security Administration (Northern Ireland) Act 1992, section 2(8) of the 1993 Act and Article 4(8) of the 1993 Order and approved by resolution of each House of Parliament:

Now, therefore, the Treasury, in exercise of the powers conferred by sections 141(4) and (5), 142(2) and (3), 143(1), (2) and (4), 144(2) and 189(3) of the Administration Act, sections 129 and 165(11A) of the Social Security Administration (Northern Ireland) Act 1992, section 2(2) and (8) of the 1993 Act and Article 4(3) and (8) of the 1993 Order and now vested in them(a), and of all other powers enabling them in that behalf, hereby make the following Order:

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

1.—(1) This Order may be cited as the Social Security (Contributions) (Re-rating and National Insurance Funds Payments) Order 2000 and shall come into force on 6th April 2000.

(2) In this Order—

“the Act” means the Social Security Contributions and Benefits Act 1992;

“the Northern Ireland Act” means the Social Security Contributions and Benefits (Northern Ireland) Act 1992(b).

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

2. In both section 11 of the Act(c) and section 11 of the Northern Ireland Act(d) (Class 2 contributions)—

(a) in subsection (1) (weekly rate) for “£6.55” there shall be substituted “£2.00”;

(b) in subsection (4) (small earnings exception) for “£3,770” there shall be substituted “£3,825”.

### **Amount of Class 3 contributions**

3. In both section 13(1) of the Act(e) and section 13(1) of the Northern Ireland Act(f) (amount of Class 3 contributions) for “£6.45” there shall be substituted “£6.55”.

### **Percentage rate of and lower and upper limits for Class 4 contributions**

4. In each of sections 15(3) and 18(1) of the Act(g) and sections 15(3) and 18(1) of the Northern Ireland Act(h) (Class 4 contributions recoverable under the Income Tax Acts and under regulations)—

(a) for “6” (percentage rate) there shall be substituted “7”;

(b) for “£7,530” (lower limit) in each place where it appears, there shall be substituted “£4,385”;

(c) for “£26,000” (upper limit) there shall be substituted “£27,820”.

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(a) See section 2 of, and paragraphs 44 to 46, 48, 57 and 60 of Schedule 3 to, the Social Security Contributions (Transfer of Functions, etc.) Act 1999 and Article 4 of, and paragraphs 43, 49, 50 and 52 of Schedule 3 to, S.I. 1999/671.

(b) 1992 c. 7.

(c) Section 11 was amended by paragraph 12 of Schedule 3 to the Social Security Contributions (Transfer of Functions, etc.) Act 1999, and the figures in subsections (1) and (4) were last amended by Article 2 of S.I. 1999/263.

(d) Section 11 was amended by paragraph 13 of Schedule 3 to S.I. 1999/671, and the figures in subsections (1) and (4) were last amended by Article 2 of S.R. 1999 No. 51.

(e) Section 13(1) was amended by paragraph 14 of Schedule 3 to the Social Security Contributions (Transfer of Functions, etc.) Act 1999, and the figure in subsection (1) was last amended by Article 3 of S.I. 1999/263.

(f) Section 13(1) was amended by paragraph 15 of Schedule 3 to S.I. 1999/671, and the figure in subsection (1) was last amended by Article 3 of S.R. 1999 No. 51.

(g) Section 15(3) was amended by Articles 1 and 5(a) of S.I. 1996/597, and the lower and upper limits were last amended by Article 4 of S.I. 1999/263. Section 18(1) was amended by Article 5(a) of S.I. 1996/597 and paragraph 18 of Schedule 3 to the Social Security Contributions (Transfer of Functions, etc.) Act 1999 and the lower and upper limits were last amended by Article 4 of S.I. 1999/263.

(h) Section 15(3) was amended by Article 5(a) of S.R. 1996 No. 72, and the lower and upper limits were last amended by Article 4 of S.R. 1999 No. 51. Section 18(1) was amended by Article 5(a) of S.R. 1996 No. 72 and paragraph 18(2) of Schedule 3 to S.I. 1999/671, and the lower and upper limits were last amended by Article 4 of S.R. 1999 No. 51.

**Prescribed percentage of estimated benefit expenditure—Great Britain**

5. Section 2(2) of the Social Security Act 1993 (payments into the National Insurance Fund out of money provided by Parliament) shall have effect with respect to the tax year 2000–01 and the prescribed percentage of estimated benefit expenditure for the financial year ending with 31st March in that tax year shall be 2 per cent.

**Prescribed percentage of estimated benefit expenditure—Northern Ireland**

6. Article 4(3) of the Social Security (Northern Ireland) Order 1993 (payments into the Northern Ireland National Insurance Fund out of appropriated money) shall have effect with respect to the tax year 2000–01 and the prescribed percentage of estimated benefit expenditure for the financial year ending with 31st March in that tax year shall be 2 per cent.

15th March 2000

*Jim Dowd*  
*Bob Ainsworth*  
Two of the Lords Commissioners of Her Majesty's Treasury

## EXPLANATORY NOTE

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

Following the transfer of National Insurance functions and associated functions from the Secretary of State and the Department of Health and Social Services for Northern Ireland to the Treasury, effected by the Social Security Contributions (Transfer of Functions, etc.) Act 1999 (1999 c. 2) and the Social Security Contributions (Transfer of Functions, etc.) (Northern Ireland) Order 1999 (S.I. 1999/671), the opportunity is being taken to combine the relevant annual changes to National Insurance Contributions for Great Britain and Northern Ireland in a single instrument.

This Order amends the rates of Class 2 and Class 3 contributions specified in sections 11(1) and 13(1) of the Social Security Contributions and Benefits Act 1992 ("the Act") from £6.55 to £2.00, and from £6.45 to £6.55, respectively. It also increases from £3,770 to £3,825 the amount of earnings specified in section 11(4) of the Act, below which an earner may be exempted from liability for Class 2 contributions (Articles 2 and 3).

The Order increases the rate of Class 4 contributions specified in sections 15(3) and 18(1) of the Act, from 6 per cent to 7 per cent. It also amends, from £7,530 to £4,385 and from £26,000 to £27,820 respectively, the lower and upper limits of profits or gains specified in those sections, between which Class 4 contributions are payable (Article 4).

Articles 2 to 4 of the Order also make provision for Northern Ireland corresponding to that in the preceding two paragraphs (the section numbers are the same in the Social Security Contributions and Benefits (Northern Ireland) Act 1992 (1992 c. 7)).

The Order provides for section 2(2) of the Social Security Act 1993 to have effect for the tax year 2000–01. It also provides that the amount of any money that may be provided by Parliament to be paid into the National Insurance Fund in that year shall not exceed in aggregate 2 per cent. of the estimated benefit expenditure for the financial year ending 31st March 2001 (Article 5). The Order also makes corresponding provision for Northern Ireland (Article 4(3) of the Social Security (Northern Ireland) Order 1993 being the provision brought into effect) (Article 6).

In accordance with sections 142(1) and 144(1) of the Social Security Administration Act 1992, a copy of the report by the Government Actuary (Cm. 4587) 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 11(1) and (4), 13(1), 15(3) and 18(1) of the Act, was laid before Parliament with the draft of this Order.

Articles 2, 3, 5 and 6 of the Order do not impose any new costs on business. Certain contribution rates and limits increase broadly in line with the rise in price inflation. Article 2 substantially reduces the Class 2 contributions payable by the self-employed. The effect of Article 4 will be to increase the Class 4 contributions payable by some of the self-employed.

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