

EXPLANATORY MEMORANDUM TO
THE SOCIAL SECURITY (CONTRIBUTIONS) (AMENDMENT) REGULATIONS
2012

2012 NO. 573

1. This explanatory memorandum has been prepared by H.M. Revenue and Customs and is laid before Parliament by Command of Her Majesty.

2. **Purpose of the instrument**

This instrument amends the Social Security (Contributions) Regulations (S.I. 2001/1004) (the “Principal Regulations”) to reflect changes to the formulae used to calculate the National Insurance contributions (NICs) annual maxima arising as a consequence of the National Insurance Contributions Act 2011 (“NICs Act 2011”).

3. **Matters of special interest to the Joint Committee on Statutory Instruments**

None

4. **Legislative Context**

4.1 These Regulations amend the Principal Regulations to take account of the various recent changes to the rates in respect of NICs made by the NICs Act 2011.

4.2 Section 6(5) of the Social Security Contributions and Benefits Act 1992 (“SSCBA 1992”)(and the corresponding Northern Ireland provisions) provide that earners who hold two or more employments are required to pay NICs on the earnings they receive from each employment held. However, section 19(1) of the SSCBA 1992 provides that regulations may provide that their liability in a particular tax year in respect of prescribed classes of contributions is not to exceed an annual maximum.

4.3 Regulations 21 and 100 of the Principal Regulations provide, in the case of those with more than one employment, for the computation of annual maxima for Class 1 and Class 4 NICs respectively. These Regulations ensure that the calculations of the annual maxima to be made after the 2011-2012 tax year has ended, and after the end of subsequent tax years, in respect of contributions paid for the relevant tax year takes account of changes to the rates of NICs made by the NICs Act 2011.

5. **Territorial Extent and Application**

This instrument applies to all of the United Kingdom.

6. **European Convention on Human Rights**

As this instrument is subject to the negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

- *What is being done and why*

7.1 There is a maximum amount of NICs that an earner with more than one employment is required to pay for any tax year. The Principal Regulations include a series of mathematical calculations that are to be made after the relevant tax year has ended to provide the maximum amount due. Where an earner has paid in excess of the annual amount due, HMRC refunds any excess payment at the end of the tax year by reference to these calculations.

7.2 Following the changes made by the NICs Act 2011, these mathematical calculations need to be updated to reflect the increases in the rates introduced by the NICs Act 2011. The NICs Act 2011, which received Royal Assent on 22 March 2011 increased the following rates of NICs from 6 April 2011:

- the main rates of primary Class 1 and Class 4 NICs by 1 per cent to 12 per cent and 9 per cent respectively;
- the Class 1 secondary rate of NICs by 1 per cent to 13.8 percent; and
- the additional rates of primary Class 1 and Class 4 NICs by 1 per cent to 2 per cent.

- *Consolidation*

7.3 There are currently no plans to consolidate the Principal Regulations.

8. Consultation outcome

No consultation has been undertaken as these changes are consequential on the increases introduced as part of the NICs Act 2011.

9. Guidance

The updating of the annual maxima calculations does not impose any new obligations on individuals or employers.

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 covering this instrument is available on the HMRC website at http://www.hmrc.gov.uk/the_library/tiins.htm.

11. Regulating small business

11.1 The changes to the annual maxima calculation do not affect small businesses.

12. Monitoring & review

These are minor changes and will not be subject to review.

13. Contact

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