
EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Social Security Contributions and Benefits Act 1992 (c. 4) and corresponding provisions in the Social Security Contributions and Benefits (Northern Ireland) Act 1992 (c. 7) (“the Acts”), and the Social Security (Contributions) Regulations 2001 (S.I. 2001/1004) (“the Contributions Regulations”). The amendments have effect from 6th April 2021.

Regulation 3 increases the small profits threshold specified in section 11(4) of the Acts, which is the minimum amount of profits chargeable to income tax that a self-employed earner must generate to incur liability to Class 2 National Insurance contributions (“NICs”), from £6,475 per year to £6,515 per year. The rate at which Class 2 NICs are payable by self-employed earners, specified in section 11(2) and (6) of the Acts, remains the same.

Regulation 4 increases the amount of voluntary Class 3 NICs, specified in section 13(1) of the Acts, from £15.30 to £15.40.

Regulation 5 increases the lower and upper profits limits for Class 4 NICs specified in sections 15 and 18 of the Acts, between which Class 4 NICs are payable by the self-employed at the main Class 4 percentage rate. The lower limit increases from £9,500 per year to £9,568. The upper limit increases from £50,000 per year to £50,270.

Regulation 6(2) increases or maintains at the same level (as the case may be) a number of weekly earnings limits and thresholds for determining liability to Class 1 NICs and entitlement to associated state benefits specified in regulation 10 of the Contributions Regulations: (i) the lower earnings limit, on or above which an earner gains access to certain state benefits, remains at £120; (ii) the upper earnings limit, above which primary Class 1 NICs are payable at the additional primary percentage, increases from £962 to £967; (iii) the primary threshold, above which primary Class 1 NICs are payable at the main primary percentage, increases from £183 to £184; (iv) the secondary threshold, above which secondary Class 1 NICs are payable, increases from £169 to £170; (v) the upper secondary threshold for the Under 21 age group, below which secondary Class 1 NICs are payable at zero-rate, increases from £962 to £967; and (vi) the upper secondary threshold for relevant apprentices, below which secondary Class 1 NICs are payable at a zero-rate, increases from £962 to £967.

Regulation 6(3) increases the prescribed equivalents of the primary threshold, the secondary threshold, the upper earnings limit and the upper secondary thresholds for the Under 21 age group and relevant apprentices specified in regulation 11 of the Contributions Regulations, for monthly and yearly earnings periods. The prescribed equivalents of the lower earnings limit remain the same.

Regulation 7 provides for section 2(2) of the Social Security Act 1993 (c. 3) to have effect for the tax year 2021-2022. This allows money provided by Parliament to be paid into the National Insurance Fund up to a limit of 17 per cent of the estimated benefit expenditure for the financial year ending with 31st March 2022. Regulation 8 makes corresponding provision for Northern Ireland, by giving effect to article 4(3) of the Social Security (Northern Ireland) Order 1993 (S.I. 1993/592 (N.I. 2)).

In accordance with section 142(1) of the Social Security Administration Act 1992 (c. 5) a copy of the report by the Government Actuary, giving the Actuary’s opinion on the likely effect on the National Insurance Fund of the making of these Regulations, was laid before Parliament with the draft of these Regulations. A copy of the report can be found at <https://www.gov.uk/government/collections/uk-social-security-short-term-and-long-term-reports>; this is also available to purchase from the TSO Shop on their website at <https://www.tsoshop.co.uk/> or by telephone at 0333 202 5070.

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

A Tax Information and Impact Note has not been prepared for this instrument as it gives effect to previously announced policy and it relates to routine changes to rates, limits and thresholds.