

2016 No. 343

SOCIAL SECURITY

**The Social Security (Contributions) (Limits and Thresholds
Amendments and National Insurance Funds Payments)
Regulations 2016**

Made - - - - *10th March 2016*

Coming into force - - *6th April 2016*

These Regulations are made by the Treasury in exercise of the powers conferred by sections 5(1) and (4) to (6), 9A(7) and (8), 9B(4) and (5) and 175(3) of the Social Security Contributions and Benefits Act 1992(a) (“the Contributions Act”), sections 5(1) and (4) to (6), 9A(7) and (8), 9B(4) and (5) and 171(3) and (10) of the Social Security Contributions and Benefits (Northern Ireland) Act 1992(b) (“the Northern Ireland Contributions Act”), sections 141(4) and (5) and 142(2) and (3) of the Social Security Administration Act 1992(c) (“the Administration Act”), section 129 of the Social Security Administration (Northern Ireland) Act 1992(d) (“the Northern Ireland Administration Act”), section 2(2) and (3) of the Social Security Act 1993(e) (“the 1993 Act”) and article 4(3) and (4) of the Social Security (Northern Ireland) Order 1993(f) (“the 1993 Order”).

Regulation 2 of these Regulations is made as a result of the Treasury carrying out in the tax year 2015-16 a review of the general level of earnings in Great Britain in accordance with section 141(1) and (2) of the Administration Act(g).

The Treasury have determined that, in relation to Great Britain, regulation 2 should be made under section 141 of the Administration Act, to amend Part 1 of the Contributions Act by altering the upper limit of profits to be taken into account for Class 4 contributions.

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- (a) 1992 c. 4; section 5 was substituted by paragraph 1 of Schedule 9 to the Welfare Reform and Pensions Act 1999 (c. 30) (“the WRPA 1999”) and section 5(1) was amended by section 1(1)(a) of, and Schedule 2 to, the National Insurance Contributions Act 2008 (c. 16) (“the NICA 2008”). Section 9A was inserted by section 9(3) of the National Insurance Contributions Act 2014 (c. 7) (“the NICA 2014”) and amended by section 1(3) of the National Insurance Contributions Act 2015 (c. 5) (“the NICA 2015”). Section 9B was inserted by section 1(4) of the NICA 2015.
- (b) 1992 c. 7; section 5 was substituted by paragraph 1 of Schedule 10 to the WRPA 1999 and section 5(1) was amended by section 2(1)(a) of, and Schedule 2 to, the NICA 2008. Section 9A was inserted by section 9(8) of the NICA 2014 and amended by section 1(8) of the NICA 2015. Section 9B was inserted by section 1(9) of the NICA 2015. Section 171(10) was substituted by paragraph 28(3) of Schedule 3 to the Social Security Contributions (Transfer of Functions, etc.) (Northern Ireland) Order 1999 (S.I. 1999/671) (“the Transfer Order”).
- (c) 1992 c. 5; section 141(4) and (5) was amended by paragraph 16 of Schedule 1 to the National Insurance Contributions Act 2002 (c. 19) (“the NICA 2002”) and, in relation to section 141(4) only, paragraph 20 of Schedule 1 to the NICA 2015. Section 142(2) was amended by paragraph 45(3) of Schedule 3 to the Social Security Contributions (Transfer of Functions, etc.) Act 1999 (c. 2) (“the Transfer Act”).
- (d) 1992 c. 8; section 129 was relevantly amended by paragraph 43 of Schedule 3 to the Transfer Order.
- (e) 1993 c. 3; section 2(2) was amended by paragraph 60(2) of Schedule 3 to the Transfer Act.
- (f) S.I. 1993/592 (N.I. 2); article 4 was relevantly amended by paragraph 52 of Schedule 3 to the Transfer Order.
- (g) Section 141(1) and (2) was amended by paragraphs 44(2) and (3) of Schedule 3 to the Transfer Act.

Regulation 2 of these Regulations makes provision for Northern Ireland, which corresponds to that mentioned in relation to Great Britain in the preceding recital, in accordance with section 129 of the Northern Ireland Administration Act.

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 with 31st March 2017, the Treasury think it expedient that regulation 6 of these Regulations should be made under section 2(2) of the 1993 Act.

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 with 31st March 2017, the Treasury think it expedient that regulation 7 of these Regulations should be made under article 4(3) of the 1993 Order.

A draft of these Regulations was laid before Parliament in accordance with the provisions of section 176(1)(zb) and (a) of the Contributions Act(a), section 172(11ZB) and (11A) of the Northern Ireland Contributions Act(b), sections 141(3) and 190(1)(a) of the Administration Act(c), section 166(10A) of the Northern Ireland Administration Act(d), section 2(8) of the 1993 Act and article 4(8) of the 1993 Order(e) and approved by a resolution of each House of Parliament.

PART 1

General

Citation and commencement

1. These Regulations may be cited as the Social Security (Contributions) (Limits and Thresholds Amendments and National Insurance Funds Payments) Regulations 2016 and come into force on 6th April 2016.

PART 2

Limits and thresholds for National Insurance contributions

Amendment of upper profits limit for Class 4 National Insurance contributions

2. In sections 15(3) and 18(1A) of the Social Security Contributions and Benefits Act 1992(f) and the Social Security Contributions and Benefits (Northern Ireland) Act 1992(g) (Class 4

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- (a) Section 176(1)(zb) was inserted by section 1(2) of the NICA 2008. Section 176(1)(a) was relevantly amended by section 9(5) of the NICA 2014 and section 1(5) of the NICA 2015.
 - (b) Section 172(11ZB) was inserted by section 2(2) of the NICA 2008. Section 172(11A) was inserted by paragraph 29(5) of Schedule 3 to the Transfer Order and relevantly amended by section 9(10) of the NICA 2014 and section 1(10) of the NICA 2015.
 - (c) Section 141(3) was amended by paragraph 44(4) of Schedule 3 to the Transfer Act. Section 190(1)(a) was amended by paragraph 110 of Schedule 7 to the Social Security Act 1998 (c. 14), Part 6 of Schedule 13 of the WRPA 1999, paragraph 30 of Schedule 1 to the Pensions Act 2007 (c. 22) and paragraph 27 of Schedule 12 to the Pensions Act 2014 (c. 19).
 - (d) Section 166(10A) was inserted by paragraph 50(4) of Schedule 3 to the Transfer Order and amended by paragraph 11(3) of Schedule 4 to the Tax Credits Act 2002 (c. 21).
 - (e) Article 4(8) was substituted by paragraph 52(5) of Schedule 3 to the Transfer Order.
 - (f) Section 15(3) was substituted by section 3(1) of the NICA 2002 and amended by paragraph 420(3) of Schedule 1 to the Income Tax (Trading and Other Income) Act 2005 (c. 5) (“ITTOIA”). Section 18(1A) was inserted by section 3(3) of the NICA 2002. The amount of the upper limits in each of these provisions was last substituted by article 3 of S.I. 2015/588.
 - (g) Section 15(3) was substituted by section 3(2) of the NICA 2002 and amended by paragraph 424(3) of Schedule 1 to ITTOIA. Section 18(1A) was inserted by section 3(4) of the NICA 2002. The amount of the upper limit in each of these provisions was last substituted by article 3 of S.I. 2015/588.

contributions recoverable under the Income Tax Acts and under regulations), for “£42,385” (upper limit) in each place where it appears substitute “£43,000”.

Amendments to the Social Security (Contributions) Regulations 2001

3. The Social Security (Contributions) Regulations 2001(a) are amended as follows.
4. In regulation 10 (earnings limits and thresholds)—
 - (a) in the introductory words—
 - (i) for “ and 9A” substitute “, 9A and 9B”;
 - (ii) for “2015” substitute “2016”;
 - (b) in paragraph (b) (upper earnings limit: primary Class 1 contributions), for “£815” substitute “£827”;
 - (c) after paragraph (d) (secondary threshold: secondary Class 1 contributions), omit “and”;
 - (d) in paragraph (e) (upper secondary threshold: secondary Class 1 contributions in relation to the Under 21 group)—
 - (i) for “£815” substitute “£827”; and
 - (ii) immediately before the end of that paragraph insert—

“; and
 - (f) the upper secondary threshold for secondary Class 1 contributions in relation to relevant apprentices(b) (for the upper limit of zero-rate secondary Class 1 contributions) shall be £827”.
5. In regulation 11 (prescribed equivalents)—
 - (a) in paragraph (1)—
 - (i) in the introductory words for “and the primary and secondary thresholds” substitute “, the primary and secondary thresholds and the upper secondary thresholds”; and
 - (ii) in sub-paragraph (a)—
 - (aa) for “and 9(1)” substitute “9(1), 9A(9), and 9B(6)”; and
 - (bb) for “and the calculation of secondary Class 1 contributions” substitute “, the calculation of secondary Class 1 contributions, the calculation of secondary Class 1 contributions in relation to the Under 21 age group and the calculation of secondary Class 1 contributions in relation to relevant apprentices”;
 - (b) in paragraph (2A)—
 - (i) in sub-paragraph (a) for “£3,532” substitute “£3,583”; and
 - (ii) in sub-paragraph (b) for “£42,385” substitute “£43,000”;
 - (c) in paragraph (3B)—
 - (i) in sub-paragraph (a) for “£3,532” substitute “£3,583”; and
 - (ii) in sub-paragraph (b) for “£42,385” substitute “£43,000”;
 - (d) after sub-paragraph (3B) insert—

“(3C) Subject to paragraphs (4) and (5), the prescribed equivalents of the upper secondary threshold for secondary Class 1 contributions in relation to relevant apprentices shall be—

 - (a) where the earnings period is a month, £3,583;
 - (b) where the earnings period is a year, £43,000;

(a) S.I. 2001/1004; relevant amending instruments are S.I. 2009/111, 2011/940 and 2015/577.

(b) Section 9B(2) of the Contributions Act and section 9B(2) of the Northern Ireland Contributions Act define “relevant apprentice”.

- (c) where the earnings period is a multiple of a week, the amount calculated by dividing the figure in sub-paragraph (b) by 52 and multiplying the result by the corresponding multiple;
- (d) where the earnings period is a multiple of a month, the amount calculated by dividing the figure in sub-paragraph (b) by 12 and multiplying the result by the corresponding multiple;
- (e) in any other case, the amount calculated by dividing the figure in sub-paragraph (b) by 365 and multiplying the result by the number of days in the earnings period concerned.”;
- (e) in paragraph (4), for “ and paragraph (3B)(c) and (d)” substitute “, paragraph (3B)(c) and (d) and paragraph (3C)(c) and (d)”;
- (f) in paragraph (5), for “ and paragraph (3B)(e)” substitute “, paragraph (3B)(e) and paragraph (3C)(e)”.

PART 3

National Insurance Funds

Prescribed percentage of estimated benefit expenditure – Great Britain

6. Section 2(2) of the Social Security Act 1993 (payments into National Insurance Fund out of money provided by Parliament) has effect with respect to the tax year 2016-17 and the prescribed percentage of estimated benefit expenditure for the financial year ending with 31st March in that tax year shall be 5 per cent.

Prescribed percentage of estimated benefit expenditure – Northern Ireland

7. Section 4(3) of the Social Security (Northern Ireland) Order 1993 (payments into Northern Ireland National Insurance Fund out of appropriated money) has effect with respect to the tax year 2016-17 and the prescribed percentage of estimated benefit expenditure for the financial year ending with 31st March in that tax year shall be 5 per cent.

George Hollingbery
Mel Stride

10th March 2016

Two of the Lords Commissioners of Her Majesty’s Treasury

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”), with effect from 6th April 2016.

Regulation 2 amends sections 15 and 18 of the Acts to increase the upper profits limit, below which Class 4 National Insurance contributions (“NICs”) are payable at the main Class 4 percentage rate, from £42,385 to £43,000 per year.

Regulation 4 amends regulation 10 of the Contributions Regulations to increase the upper earnings limit, below which primary Class 1 NICs are payable at the main primary percentage, from £815 to £827 per week. It also specifies the maximum level of weekly earnings, known as the upper secondary threshold, below which secondary Class 1 NICs are payable at an age-related percentage in respect of earners in the under 21 age group (set out in section 9A of the Acts), and

introduces a new upper secondary threshold below which secondary Class 1 NICs are payable at zero-rate in respect of relevant apprentices (set out in section 9B of the Acts).

Regulation 5 amends regulation 11 of the Contributions Regulations to refer to sections 9A and 9B of the Acts following the introduction of those sections by the National Insurance Contributions Act 2014 (c. 7) and the National Insurance Contributions Act 2015 (c. 5) respectively. It also provides for equivalents of the upper earnings limit and the upper secondary threshold for the under 21 age group where the earnings period in question is a month or a year, and introduces monthly, annual or irregular period equivalents of the upper secondary threshold for relevant apprentices.

Regulation 6 provides for section 2(2) of the Social Security Act 1993 (c. 3) to have effect for the tax year 2016-17. This allows money provided by Parliament to be paid into the National Insurance Fund up to a limit of 5 per cent of the estimated benefit expenditure for the financial year ending with 31st March 2017. Regulation 7 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 the Regulations, was laid before Parliament with the draft of these Regulations. A copy of the report can be found on the Government Actuary's Department website at <https://www.gov.uk/government/collections/uk-social-security-short-term-and-long-term-reports>.

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 to a predetermined indexation formula.

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