EXPLANATORY MEMORANDUM TO

THE EMPLOYMENT ALLOWANCE (CARE AND SUPPORT WORKERS) REGULATIONS 2015

2015 No. [XXXX]

1. 1.1 This explanatory memorandum has been prepared by HM Revenue and Customs and is laid before Parliament by Command of Her Majesty.

1.2 This memorandum contains information for the Joint Committee on Statutory Instruments

2. Purpose of the instrument

2.1 This instrument will extend the National Insurance Contributions (NICs) Employment Allowance to individuals who employ a care and support worker. Such individuals will become eligible to claim the Employment Allowance and reduce their National Insurance liability by up to £2,000 a year from 6 April 2015.

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

3.1 This is the first use of the power in section 5 of the National Insurance Contributions Act 2014.

4. Legislative Context

4.1 The Employment Allowance was introduced in the National Insurance Contributions Act 2014 (NICs Act 2014). This allowed businesses and charities to enjoy a reduction of up to £2,000 a year on their Employer NICs liability. The measure was primarily aimed at boosting small businesses and promoting growth. It contained a specific exclusion so that individuals employing staff for 'personal, family or household affairs' could not claim the allowance. This exclusion covered such things as private chefs, personal assistants, and nannies but it also covered care and support workers. These regulations will amend the NICs Act 2014 to allow individuals employing care and support workers to claim the Employment Allowance from 6 April 2015.

5. Territorial Extent and Application

5.1 This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

The Financial Secretary to the Treasury Mr David Gauke MP has made the following statement regarding Human Rights:

"In my view the provisions of the Employment Allowance (Care and Support Workers) Regulations 2015 are compatible with the Convention rights."

7. Policy background

- *What is being done and why*

7.1 The Chancellor of the Exchequer announced in the Autumn Statement on 3 December 2014 that there will be an extension of the Employment Allowance to individuals who employ care and support workers from 6 April 2015.

7.2 These regulations will allow individuals to employ a care and support worker, either for themselves or for another person, and benefit from an annual reduction of up to £2,000 in their Employer NICs liability. This will provide financial support to a vulnerable group in society. It is estimated that around 20,000 individuals employing care and support workers will benefit from this change. The duties of a care and support worker will vary, depending on what is needed. In general, they help with personal care, such as washing and dressing, or assist with household support such as shopping, cooking and cleaning.

7.3 The principle behind the regulations is that if an individual needs care for a specified reason such as old age, mental or physical disability, or past or present illness, and they wish to employ a care and support worker, they will be eligible to claim the Allowance. The specified reasons are very broad, and there are no restrictions on where the care should take place. You can also employ a carer for someone other than yourself, and claim the allowance, provided that individual needs care. This means that you could employ a carer yourself, or for someone who lives with you, or for a family member or friend who lives elsewhere, and still be eligible to claim the Allowance. You could also employ a care and support worker to accompany the person needing care to another location, for instance on holiday or to day-care.

7.4 Employers employing nannies or other domestic staff such as housekeepers, gardeners or chauffeurs remain excluded from claiming the Employment Allowance.

- *Consolidation*

7.5 Not applicable as this instrument amends primary legislation.

8. Consultation outcome

8.1 This measure was announced in the Autumn Statement on 3 December 2014 for implementation by April 2015. Due to the tight delivery timescales there was insufficient

time for a full public consultation. Interested stakeholder groups have responded positively to the extension of the Employment Allowance to individuals employing care and support workers.

9. Guidance

9.1 There is currently online guidance available on the GOV.UK website on how to claim the Employment Allowance. The guidance is available at https://www.gov.uk/claim-employment-allowance. It will be updated with information about claiming for care and support workers before the measure comes into effect. HMRC's Contact Centre staff will also be provided with information about this, and will be able to offer help over the phone.

10. Impact

10.1 No impact on businesses, charities and voluntary bodies is expected.

10.2 The impact on the public sector is negligible.

10.3 A Tax Information and Impact Note covering this instrument was published on 10th December 2014 alongside the draft Finance Bill 2015 and is available on the website at https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins. It remains an accurate summary of the impacts that apply to this instrument.

11. Regulating small business

11.1 The legislation does not apply to small businesses.

12. Monitoring & review

12.1 The instrument will be kept under review through communication with affected taxpayer groups.

13. Contact

Emma Barker at HM Revenue and Customs Tel: 03000 586778 or email: emma.robinson3@hmrc.gsi.gov.uk can answer any queries regarding the instrument.