Draft Regulations laid before Parliament under section 176(1)(za), (zb) and (a) of the Social Security Contributions and Benefits Act 1992, section 172(11ZA), (11ZB) and 11A) of the Social Security Contributions and Benefits (Northern Ireland) Act 1992, sections 141(3) and 190(1)(a) of the Social Security Administration Act 1992, section 166(10A) of the Social Security Administration (Northern Ireland) Act 1992, section 2(8) of the Social Security Act 1993 and article 4(8) of the Social Security (Northern Ireland) Order 1993 for approval by resolution of each House of Parliament.

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

2017 No. 0000

SOCIAL SECURITY

The Social Security (Contributions) (Rates, Limits and Thresholds Amendments and National Insurance Funds Payments) Regulations 2017

Made - - - -	*****
Coming into force - -	*6th April 2017*

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").

(**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.

Regulations 3 to 5 of these Regulations are made as a result of the Treasury carrying out in the tax year 2016-17 a review of the general level of earnings in Great Britain in accordance with section 141(1) and (2) of the Administration Act(**a**).

The Treasury have determined that, in relation to Great Britain, regulations 3 to 5 should be made under section 141 of the Administration Act, to amend Part 1 of the Contributions Act by altering the rate of, and small profits threshold for, Class 2 contributions, the amount of a Class 3 contribution and the lower and upper limits of profits to be taken into account for Class 4 contributions.

Regulations 3 to 5 of these Regulations make 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 2018, the Treasury think it expedient that regulation 9 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 2018, the Treasury think it expedient that regulation 10 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)(za), (zb) and (a) of the Contributions Act(**b**), section 172(11ZA), (11ZB) and (11A) of the Northern Ireland Contributions Act(**c**), sections 141(3) and 190(1)(a) of the Administration Act(**d**), section 166(10A) of the Northern Ireland Administration Act(**e**), section 2(8) of the 1993 Act and article 4(8) of the 1993 Order(**f**) and approved by a resolution of each House of Parliament.

PART 1

General

Citation and commencement

1.—(1) These Regulations may be cited as the Social Security (Contributions) (Rates, Limits and Thresholds Amendments and National Insurance Funds Payments) Regulations 2017 and come into force on 6th April 2017.

(**a**) Section 141(1) and (2) was amended by paragraph 44 of Schedule 3 to the Transfer Act.

(**b**) Section 176(1)(za) was inserted by section 7(5) of the Pensions Act 2007 (c. 22) ("the PA 2007"). 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.

(**c**) Section 172(11ZA) was inserted by section 8(5)(b) of the PA 2007. 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.

(**d**) 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 to the WRPA 1999, paragraph 30 of Schedule 1 to the PA 2007 and paragraph 27 of Schedule 12 to the Pensions Act 2014 (c. 19).

(**e**) 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).

(**f**) Article 4(8) was substituted by paragraph 52(5) of Schedule 3 to the Transfer Order.

PART 2

Rates, limits and thresholds for National Insurance contributions

Interpretation

2. In this Part—

"the Act" means the Social Security Contributions and Benefits Act 1992; and

"the Northern Ireland Act" means the Social Security Contributions and Benefits (Northern Ireland) Act 1992.

Rate of and small profits threshold for Class 2 contributions

3. In section 11 of the Act(**a**) and the Northern Ireland Act(**b**) (Class 2 contributions)—

(a) in subsections (2) and (6) for "£2.80" substitute "£2.85"; and

(b) in subsection (4) (small profits threshold) for "£5,965" substitute "£6,025".

Amount of a Class 3 contribution

4. In section 13(1) of the Act(**c**) and the Northern Ireland Act(**d**) (Class 3 contributions) for "£14.10" substitute "£14.25".

Lower and upper limits of profits for Class 4 contributions

5. In sections 15(3) and 18(1) and (1A) of the Act(**e**) and the Northern Ireland Act(**f**) (Class 4 contributions recoverable under the Income Tax Acts and under regulations)—

(a) for "£8,060" (lower limit) in each place where it appears substitute "£8,164"; and

(b) for "£43,000" (upper limit) in each place where it appears substitute "£45,000".

Amendments to the Social Security (Contributions) Regulations 2001

6. The Social Security (Contributions) Regulations 2001(**g**) are amended as follows.

7. In regulation 10 (earnings limits and thresholds)—

(a) in paragraph (a) (lower earnings limit: primary Class 1 contributions) for "£112" substitute "£113";

(b) in paragraph (b) (upper earnings limit: primary Class 1 contributions) for "£827" substitute "£866";

(**a**) Section 11 was substituted by paragraph 3 of Schedule 1 to the NICA 2015.

(**b**) Section 11 was substituted by paragraph 12 of Schedule 1 to the NICA 2015.

(**c**) Section 13 was relevantly amended by paragraph 14(2) of Schedule 3 to the Transfer Act. The figure in subsection (1) was last substituted by article 2 of S.I. 2015/588.

(**d**) Section 13 was relevantly amended by paragraph 15(2) of Schedule 3 to the Transfer Order. The figure in subsection (1) was last substituted by article 2 of S.I. 2015/588.

(**e**) 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(1) was amended by paragraph 18(2) of Schedule 3 to the Transfer Act, paragraph 1 of Schedule 2 to the NICA 2002 and paragraph 5 of Schedule 1 to the NICA 2015. Section 18(1A) was inserted by section 3(3) of the NICA 2002. The amount of the lower limit in each of these provisions was last substituted by article 3(a) of S.I. 2015/588 and the amount of the upper limit in each of these provisions was last substituted by regulation 2 of S.I. 2016/343.

(**f**) 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(1) was amended by paragraph 18(2) of Schedule 3 to the Transfer Order, paragraph 1 of Schedule 2 to the NICA 2002 and paragraph 14 of Schedule 1 to the NICA 2015. Section 18(1A) was inserted by section 3(4) of the NICA 2002. The amount of the lower limit in each of these provisions was last substituted by article 3(a) of S.I. 2015/588 and the amount of the upper limit in each of these provisions was last substituted by regulation 2 of S.I. 2016/343.

(**g**) S.I. 2001/1004; relevant amending instruments are S.I. 2009/111, 2011/940, 2015/577, 2016/343 and 2016/352.

(c) in paragraph (c) (primary threshold: primary Class 1 contributions) for "£155" substitute "£157";

(d) in paragraph (d) (secondary threshold: secondary Class 1 contributions) for "£156" substitute "£157";

(e) in paragraph (e) (upper secondary threshold: secondary Class 1 contributions in relation to the Under 21 group) for "£827" substitute "£866"; and

(f) in paragraph (f) (upper secondary threshold: secondary Class 1 contributions in relation to relevant apprentices) for "£827" substitute "£866".

8. In regulation 11 (prescribed equivalents)—

(a) in paragraph (2A)—

(i) in sub-paragraph (a) for "£3,583" substitute "£3,750"; and

(ii) in sub-paragraph (b) for "£43,000" substitute "£45,000";

(b) in paragraph (3)—

(i) in sub-paragraph (a) for "£672" substitute "£680"; and

(ii) in sub-paragraph (b) for "£8,060" substitute "£8,164";

(c) in paragraph (3A)—

(i) in sub-paragraph (a) for "£676" substitute "£680"; and

(ii) in sub-paragraph (b) for "£8,112" substitute "£8,164";

(d) in paragraph (3B)—

(i) in sub-paragraph (a) for "£3,583" substitute "£3,750"; and

(ii) in sub-paragraph (b) for "£43,000" substitute "£45,000"; and

(e) in paragraph (3C)—

(i) in sub-paragraph (a) for "£3,583" substitute "£3,750"; and

(ii) in sub-paragraph (b) for "£43,000" substitute "£45,000".

PART 3

National Insurance Funds

Prescribed percentage of estimated benefit expenditure – Great Britain

9. 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 2017-18 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

10. Article 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 2017-18 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.

Name
Name
Date 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"). The amendments have effect from 6th April 2017.

Regulation 3 increases the rate at which Class 2 National Insurance contributions ("NICs") are payable by self-employed earners, specified in section 11(2) and (6) of the Acts, from £2.80 to £2.85 per week. It also increases the small profits threshold specified in section 11(4) of the Acts, which is the minimum amount of profits that a self-employed earner must generate to incur liability to Class 2 NICs, from £5,965 to £6,025 per year.

Regulation 4 increases the amount of a voluntary Class 3 NIC, specified in section 13(1) of the Acts, from £14.10 to £14.25.

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 £8,060 to £8,164 per year and the upper limit from £43,000 to £45,000 per year.

Regulation 7 increases 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, above which an earner gains access to certain state benefits, increases from £112 to £113; (ii) the upper earnings limit, above which primary Class 1 NICs are payable at the additional primary percentage, increases from £827 to £866; (iii) the primary threshold, above which primary Class 1 NICs are payable at the main primary percentage, increases from £155 to £157; (iv) the secondary threshold, above which secondary Class 1 NICs are payable, increases from £156 to £157; (v) the upper secondary threshold for the under 21 age group, below which secondary Class 1 NICs are payable at a reduced age-related percentage, increases from £827 to £866; and (vi) the upper secondary threshold for relevant apprentices, below which secondary Class 1 NICs are payable at zero-rate, increases from £827 to £866.

Regulation 8 increases the prescribed equivalents of the upper earnings limit, the primary threshold, the secondary threshold, 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.

Regulation 9 provides for section 2(2) of the Social Security Act 1993 (c. 3) to have effect for the tax year 2017-18. 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 2018. Regulation 10 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; 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.

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. A Tax Information and Impact Note on the alignment of the primary and secondary thresholds for Class 1 NICs was published on 5th December 2016 and is available at https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins.

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