Draft Order laid before Parliament under sections 141(3) and 190(1)(a) of the Social Security Administration Act 1992 and section 166(10A) of the Social Security Administration (Northern Ireland) Act 1992, for approval by resolution of each House of Parliament.

DRAFT STATUTORY INSTRUMENTS

2012 No. 0000

SOCIAL SECURITY

The Social Security (Contributions) (Re-rating) Order 2012

Made - - - -	***
Coming into force - -	*6th April 2012*

This Order is made by the Treasury in exercise of the powers conferred by sections 141(4) and (5) and 142(2) and (3) of the Social Security Administration Act 1992 ("the Administration Act")(**a**) and section 129 of the Social Security Administration (Northern Ireland) Act 1992 ("the Northern Ireland Administration Act")(**b**).

This Order is made as a result of the Treasury carrying out in the tax year 2011-12 a review of the general level of earnings in Great Britain in accordance with section 141(1) and (2) of the Administration Act(**c**).

The Treasury have determined that an Order should be made under section 141 of the Administration Act, amending Part 1 of the Social Security Contributions and Benefits Act 1992(**d**) by altering the rates of Class 2 and Class 3 contributions, the amount of earnings below which an earner may be excepted from liability for Class 2 contributions and the lower limit of profits to be taken into account for Class 4 contributions.

This Order 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.

A draft of this Order was laid before Parliament in accordance with the provisions of sections 141(3) and 190(1)(a) of the Administration Act(**e**) and section 166(10A) of the Northern Ireland Administration Act(**f**) and approved by resolution of each House of Parliament.

(**a**) 1992 c. 5. Subsections (4) and (5) of section 141 were amended by paragraph 16 of Schedule 1 to the National Insurance Contributions Act 2002 (c. 19). 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").

(**b**) 1992 c. 8. The relevant amendment to section 129 is that made by paragraph 43 of Schedule 3 to the Social Security Contributions (Transfer of Functions, etc.) (Northern Ireland) Order 1999 (S.I. 1999/671) ("the Transfer Order").

(**c**) Subsections (1) and (2) of section 141 were amended by paragraph 44(2) and (3) of Schedule 3 to the Transfer Act.

(**d**) 1992 c. 4.

(**e**) Subsection (3) of section 141 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) and Part 6 of Schedule 13 to the Welfare Reform and Pensions Act 1999 (c.30).

(**f**) Section 166(10A) was inserted by paragraph 50(4) of Schedule 3 to the Transfer Order.

Citation, commencement and interpretation

1.—(1) This Order may be cited as the Social Security (Contributions) (Re-rating) Order 2012 and shall come into force on 6th April 2012.

(2) In this Order—

"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(**a**).

Rate of and small earnings exception from Class 2 contributions

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

(a) in subsection (1) for "£2.50" substitute "£2.65"; and

(b) in subsection (4) (small earnings exception) for "£5,315" substitute "£5,595".

Amount of class 3 contributions

3. In section 13(1) of the Act(**d**) and the Northern Ireland Act(**e**) (amount of Class 3 contributions) for "£12.60" substitute "£13.25".

Lower limit for Class 4 contributions

4. In sections 15(3) and 18(1) and (1A) of the Act(**f**) and the Northern Ireland Act(**g**) (Class 4 contributions recoverable under the Income Tax Acts and under regulations) for "£7,225" (lower limit) in each place where it appears, substitute "£7,605".

Name
Name
Date Two of the Lords Commissioners of Her Majesty's Treasury

(**a**) 1992 c. 7.
(**b**) Section 11 was amended by paragraph 12 of Schedule 3 to the Transfer Act. The figure in subsection (1) was last substituted by article 2(a) of S.I. 2011/938. The figure in subsection (4) was last substituted by article 2(b) of S.I. 2011/938.
(**c**) Section 11 was amended by paragraph 13 of Schedule 3 to the Transfer Order. The figure in subsection (1) was last substituted by article 2(a) of S.I. 2011/938. The figure in subsection (4) was last substituted by article 2(b) of S.I. 2011/938.
(**d**) Section 13 was amended by paragraph 14 of Schedule 3 to the Transfer Act. The figure in subsection (1) was last substituted by article 3 of S.I. 2011/938.
(**e**) Section 13 was amended by paragraph 15 of Schedule 3 to the Transfer Order. The figure in subsection (1) was last substituted by article 3 of S.I. 2011/938.
(**f**) Section 15(3) was substituted by section 3(1) of the National Insurance Contributions Act 2002 (c. 19) and was amended by paragraph 420(3) of Schedule 1 to the Income Tax (Trading and Other Income) Act 2005 (c. 5). Section 18(1) was amended by paragraph 18(2) of Schedule 3 to the Transfer Act and by Schedule 2 to the National Insurance Contributions Act 2002. Section 18(1A) was inserted by section 3(3) of the National Insurance Contributions Act 2002. The amounts in each of these provisions were last substituted by article 4 of S.I. 2011/938.
(**g**) Section 15(3) was substituted by section 3(2) of the National Insurance Contributions Act 2002 and was amended by paragraph 424 of Schedule 1 to the Income Tax (Trading and Other Income) Act 2005. Section 18(1) was amended by paragraph 18(2) of Schedule 3 to the Transfer Order and by Schedule 2 to the National Insurance Contributions Act 2002. Section 18(1A) was inserted by section 3(4) of the National Insurance Contributions Act 2002. The figures in each of those provisions were last substituted by article 4 of S.I. 2011/938.

EXPLANATORY NOTE

(This note is not part of the Order)

This Order, which comes into force on 6th April 2012, increases the rates of Class 2 and Class 3 contributions specified in sections 11(1) and 13(1) of the Social Security Contributions and Benefits Act 1992 ("the Act") from £2.50 to £2.65 and from £12.60 to £13.25. It also increases the amount of earnings specified in section 11(4) of the Act, below which an earner may be excepted from liability for Class 2 contributions from £5,315 to £5,595 (Articles 2 and 3).

The Order increases from £7,225 to £7,605 the lower limit of profits specified in sections 15 and 18, above which Class 4 contributions are payable at the main Class 4 percentage rate (Article 4).

Articles 2 to 4 of the Order also make provision for Northern Ireland corresponding to that described in the preceding two paragraphs (the section numbers of the Social Security Contributions and Benefits (Northern Ireland) Act 1992 are the same as those in the Act).

In accordance with section 142(1) of the Social Security Administration Act 1992, 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 Order, including the amendments to sections 11(1), 11(4), 13(1), 15(3), 18(1) and 18(1A) of the Act, was laid before Parliament with the draft of this Order. A copy of the report can be found on the Government Actuary's Department website at http://www.gad.gov.uk/Publications/index.html.

A Tax Information and Impact Note covering this instrument was published on 23 March 2011 alongside Budget 2011. This has been updated as a result of changes to the impacts as a result of this instrument and is available on the HMRC website at http://www.hmrc.gov.uk/thelibrary/tiins.htm.

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