EXPLANATORY MEMORANDUM TO

THE SOCIAL SECURITY (CONTRIBUTIONS) (AMENDMENT NO. 3) REGULATIONS 2026

2026 No. 343

1. Introduction

1.1 This Explanatory Memorandum has been prepared by His Majesty's Revenue and Customs (HMRC) and is laid before Parliament by Command of His Majesty.

1.2 This memorandum contains information for the Joint Committee on Statutory Instruments/Secondary Legislation Scrutiny Committee.

2. Declaration

2.1 Dan Tomlinson MP, Exchequer Secretary to the Treasury confirms that this Explanatory Memorandum meets the required standard.

2.2 Edmund Hair, Deputy Director for National Insurance Policy, International and Student Finance at HMRC confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Elizabeth Reffell at HMRC can be contacted by email at the following address with any queries regarding the instrument: nics.policy@hmrc.gov.uk.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 This instrument amends the National Insurance contributions (NICs) Regulations to introduce two new disregards from Class 1 NICs. These new disregards ensure that where an employer reimburses their employee for flu vaccines and home office equipment, the reimbursement payment is not treated as earnings and is therefore not subject to employer or employee Class 1 NICs. The Finance Bill 2025 introduces corresponding Income Tax legislation which provides that reimbursement of these expenses will also not be subject to Income Tax.

Where does the legislation extend to, and apply?

4.2 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is the United Kingdom.

4.3 The territorial application of this instrument (that is, where the instrument produces a practical effect) is the United Kingdom.

5. Policy Context

What is being done and why?

5.1 Where an employer reimburses an employee for an expense, the payment would ordinarily be treated as earnings subject to Class 1 NICs. This instrument amends the NICs Regulations to include a disregard for employer reimbursed flu vaccines and

home office equipment so that no employer or employee Class 1 NICs charge arises on these payments. This instrument follows changes to be made in the Finance Bill 2025 which provide an Income Tax exemption where an employer reimburses their employee for these expenses.

5.2 This policy is being introduced to simplify the tax and NICs treatment of minor benefits, ensuring consistency between direct provision and reimbursement, and fairness for employers and employees.

What was the previous policy, how is this different?

Flu Vaccines

5.3 Under the previous policy there was no Income Tax exemption for flu vaccines, whether directly provided or employer reimbursed. However, directly provided flu vaccines could be caught under the Income Tax Trivial Benefits rules so long as they were provided in accordance with the necessary conditions. The Finance Bill 2025 introduces a specific tax emption for both directly provided and employer reimbursed flu vaccines.

5.4 This instrument ensures the consistent treatment between Income Tax and NICs of employer reimbursed flu vaccines by disregarding payments to reimburse employees for the cost of flu vaccines from earnings for Class 1 NICs purposes. Before the introduction of this instrument, a payment from the employer to reimburse their employee for the cost of a flu vaccine would be classed as earnings subject to Class 1 NICs, payable by both the employer and employee.

Home Office Equipment

5.5 Directly provided home office equipment is exempt from Income Tax. The Finance Bill 2025 extends this exemption to the reimbursement of home office equipment.

5.6 This instrument ensures the consistent treatment between Income Tax and NICs for employer reimbursed home office equipment by disregarding payments to reimburse employees from the calculation of earnings for Class 1 purposes. Before the introduction of this instrument, a payment from the employer to reimburse their employee for the cost of home office equipment would be classed as earnings subject to Class 1 NICs, payable by both the employer and employee.

6. Legislative and Legal Context

How has the law changed?

6.1 In accordance with the timelines of the Finance Bill 2025, the legislation will change with effect from 6 April 2026 through an amendment to Part VIII of Schedule 3 to The Social Security (Contributions) Regulations 2001 to include a disregard for Class 1 NICs purposes of the employer reimbursed cost of flu vaccines and home office equipment.

Why was this approach taken to change the law?

6.2 This is the only possible approach to make the necessary changes.

7. Consultation

Summary of consultation outcome and methodology

7.1 This measure responds to consistent feedback from employers and external advisers, gathered during HMRC's 2023 review of low-value and occasional benefits.

Stakeholders highlighted that reimbursements for items such as flu vaccines and home working equipment should be treated in the same way as when those items are provided directly by the employer.

8. Applicable Guidance

8.1 Guidance on the GOV.UK website for employee expenses and benefits will be updated in accordance with the timelines of the Finance Bill 2025.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A Tax Information and Impact Note covering these changes was published on 26 November 2025 on the GOV.UK website.[1]

Impact on businesses, charities and voluntary bodies

9.2 There is no significant impact on business, charities or voluntary bodies. Businesses offering low-value benefits in kind such as flu vaccines and home office equipment to employees through reimbursement will need to be aware of the change to the exemptions and apply them accordingly. One-off costs will include updating software and informing colleagues of the change. It is not anticipated that there will be any ongoing costs.

9.3 There is no significant impact on small or micro businesses. Businesses offering low-value benefits in kind such as flu vaccines and home office equipment to employees through reimbursement will need to be aware of the change to the exemptions and apply them accordingly.

9.4 There is no significant impact on the public sector beyond the need to be to be aware of the change to the exemptions and apply them accordingly.

9.5 Overall this change is expected to improve businesses' experience of dealing with HMRC by making the rules simpler, easier to understand, and more flexible.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 This instrument will be monitored and reviewed through normal compliance activity and regular communications with representative bodies.

10.2 This instrument does not include a statutory review clause because in accordance with the requirements of the Small Business, Enterprise and Employment Act 2015, it is made in relation to the imposition of a tax, duty, levy or other charge.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 The instrument comes into force less than 21 days after it was laid. This is necessary as the instrument needs to come into force on 6 April 2026. The Regulations are required as a consequence of the changes included in the Finance Act 2026. Therefore

[1] Tax Information and Impact Note for Flu Vaccines and Home Office Equipment: https://www.gov.uk/government/publications/the-expansion-of-workplace-benefits-relief/expanding-workplace-benefits-relief

it was necessary for that Act to be granted Royal Assent before the instrument could be laid. Due to the short period of time between Royal Assent of the Finance Act 2026 and 6 April 2026, it was not possible to comply with the 21-day rule.

12. European Convention on Human Rights

12.1 As the instrument is subject to negative procedure and does not amend primary legislation, no statement is required.

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ("relevant European Union Acts").