EXPLANATORY MEMORANDUM TO

THE SOCIAL SECURITY (CONTRIBUTIONS) (AMENDMENT No. 4) REGULATIONS 2006

2006 No. 2003

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

This memorandum contains information for the Select Committee on Statutory Instruments.

2. Description

The purpose of this Statutory Instrument is to disregard from Class 1 National Insurance liability non cash vouchers provided for one mobile telephone or non cash vouchers provided for eye tests and special corrective appliances.

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

None

4. Legislative Background

This instrument uses the powers conferred by section 3(2) and (3) of the Social Security Contributions and Benefits Act 1992 and sections 3(2) and 3(3) of the Social Security Contributions and Benefits (Northern Ireland) Act 1992 to make amendments to the Social Security (Contributions) Regulations 2001 (SI 2001/1004).

5. Extent

These Regulations apply throughout the United Kingdom.

6. European Convention on Human Rights

This instrument is subject to the negative resolution procedure and does not amend primary legislation. Accordingly, no statement of compliance with the European Convention on Human Rights is required.

7. Policy Background

7.1 Section 3(2) of the Social Security Contributions and Benefit Act provides that the amount of a person's earnings is to be calculated or estimated in such manner or on such basis as may be prescribed by regulations. Section 3(3) then provides that regulations made for the

purposes of section 3(2) may prescribe, that payments of a particular class or description are to be disregarded in the calculation of earnings.

7.2 This instrument amends the Social Security (Contributions) Regulations 2001 to disregard from earnings a non-cash voucher for:

- one mobile telephone, the voucher is now exempt from income tax under section 319 of the Income Tax (Earnings and Pensions) Act 2003 ("ITEPA")) Section 319 was amended by section 60 of the Finance Act 2006 ("FA 2006").
- eye tests and special corrective appliances, the voucher is now exempt from income tax under section 320A of ITEPA). Section 320A was inserted by section 62 of FA 2006.

7.3 The changes bring the National Insurance position in line with the income tax position which was altered by FA 2006.

8. Impact

A regulatory impact assessment has not been prepared for this instrument as it does not impose any new costs on business.

9. Contact

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