EXPLANATORY MEMORANDUM TO

THE SOCIAL SECURITY (CONTRIBUTIONS) (AMENDMENT) REGULATIONS 2013

2013 No. 718

1. This explanatory memorandum has been prepared by Her Majesty's Revenue and Customs (HMRC) and is laid before Parliament by Command of Her Majesty.

2. Purpose of the instrument

2.1 This instrument amends the Social Security (Contributions) Regulations (S.I. 2001/1004) to apply the extended time limits for paying voluntary contributions and the limit on the rates that apply to the payment of voluntary Class 2 and Class 3 National Insurance contributions (NICs) to those who reach State Pension age on or after 6 April 2016.

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

3.1 None.

4. Legislative context

4.1 From 6 April 2013 those who reach State Pension age on or after 6 April 2017 will have until 5 April 2023 to pay voluntary NICs for the 2006-07 to 2015-16 tax years inclusive. In addition, the higher rate provisions that apply to the late payment of voluntary NICs are also being dis-applied. The 2012-13 rate will be payable, until 5 April 2019:

- in relation to Class 3 for the years 2006-07 to 2009-10; and
- in relation to voluntary Class 2 for the years 2006-07 to 2010-11.

5. Territorial Extent and Application

5.1 This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

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

7. Policy background

- ***What is being done and why***

7.1 The Department for Work and Pensions (DWP) published a White Paper *Single-tier Pension: a simple foundation for saving* on 14 January 2013. It said that Single-tier Pension would be implemented from April 2017 at the earliest.

7.2 Contributors can pay voluntary NICs (Class 3 but sometimes Class 2) to protect State Pension entitlement by filling gaps in their contribution record to achieve qualifying years. Before contributors pay voluntary contributions they are encouraged to obtain a State Pension Statement from DWP. Until the Single-tier proposals are enacted and IT changes are made DWP may not be able to provide State Pension Statements that give accurate estimates of Single-tier Pension to those who reach State Pension age on or after 6 April 2017. This uncertainty may make the decision whether to pay voluntary contributions more difficult.

7.3 Following the announcement on 18 March 2013 that implementation of the Single-tier Pension is being brought forward to 6 April 2016 the changes ensure that those customers who reach State Pension age between 6 April 2016 and 5 April 2017 benefit from the same easements we have introduced for those that reach State Pension age on or after 6 April 2017.

- ***Consolidation***

7.4 There are currently no plans to consolidate the Social Security (Contributions) Regulations.

8. Consultation outcome

8.1 No consultation has been undertaken the changes are minor and wholly beneficial.

9. Guidance

9.1 The changes apply to individuals and guidance will be amended to reflect the changes that are being made.

10. Impact

10.1 There is no impact on business, charities or voluntary bodies.

10.2 There is no impact on the public sector.

10.3 A Tax Information and Impact Note will be published on the website at: http://www.hmrc.gov.uk/thelibrary/tiins.htm.

11. Regulating small business

11.1 The changes do not affect small businesses.

12. Monitoring & review

12.1 The changes will be monitored and subject to review once the Single-tier Pension legislation is enacted to ensure that customers have sufficient time to obtain a State Pension Statement and decide whether it is worthwhile paying voluntary NICs before the higher rate provisions apply or the contributions become time-barred.

13. Contact

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