EXPLANATORY MEMORANDUM TO

THE SOCIAL SECURITY (CONTRIBUTIONS) (RE-RATING) CONSEQUENTIAL AMENDMENT REGULATIONS 2009

2009 No. 696

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

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

2. Purpose of the instrument

2.1 The purpose of this Statutory Instrument is to make a consequential amendment to the special rate of Class 2 National Insurance Contributions (NICs) payable by share fishermen from 6th April 2009.

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

3.1 None

4. Legislative Context

4.1 The Social Security (Contributions) (Re-rating) Order 2009 approved by the House of Lords on the 25th February and by the House of Commons on the 4th March 2009, increased the rate of Class 2 NICs to £2.40 per week. A consequence of this is that the special rate payable by share fishermen is increased from £2.95 to £3.05 per week.

4.2 This requires an amendment to regulation 125(c) of the Social Security (Contributions) Regulation 2001 (modification of provisions of the Social Security Contributions and Benefits Act 1992 in relation to share fishermen). These amendments are made under powers contained in sections 117(1) and 175(3) of the Social Security Contributions and Benefits Act 1992, and the corresponding powers for Northern Ireland.

5. Territorial Extent and Application

5.1 This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

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

7. Policy background

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

7.1 Share Fishermen pay a special rate of Class 2 NICs that entitles them to receive Contribution-based Jobseeker's Allowance for periods of inactivity (normally in the winter months). It is based on the ordinary rate of Class 2 NICs with a loading to cover Contribution-based Jobseeker's Allowance. Payment of ordinary Class 2 NICs does not give entitlement to this.

- ***Consolidation***

7.2 These amendments will make only a small amendment to the Social Security (Contributions) Regulations 2001 which are very large and complex (the printed text ran to around 150 pages in 2001). HM Revenue and Customs has no current plans to consolidate these Regulations. On the last occasion it was a task involving 18 months work and contributions from four different Government departments.

8. Consultation outcome

8.1 No consultation has been undertaken.

9. Guidance

9.1 These consequential Regulations do not impose a new obligation.

9.2 The NICs Rates and Thresholds for 2009-10 were announced on 24 November 2008 in an H.M.Treasury Press Release PBR08/02 and can be found on HMRC's website.

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 An Impact Assessment has not been prepared for this instrument.

11. Regulating small business

11.1 The change to special rate of Class 2 contributions payable by share fishermen apply to small businesses in so far as the proprietor(s) are self employed and has no impact on employees.

12. Monitoring & review

12.1 Section 141 of the GB Administration Act requires the Treasury to conduct an annual review of the level of general earnings in Great Britain. In conjunction with the Social Security (Contributions) (Re-rating) Order 2009 these Regulations make changes to existing limits and thresholds as a result of that review and will not be subject to any further or specific monitoring and review.

13. Contact

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