EXPLANATORY MEMORANDUM TO

THE SOCIAL SECURITY (CONTRIBUTIONS) (RE-RATING) CONSEQUENTIAL AMENDMENT REGULATIONS 2022

2022 No. 306

1. Introduction

1.1 This explanatory memorandum has been prepared by HM Revenue and Customs (HMRC) on behalf of HM Treasury and is laid before Parliament by Command of Her Majesty.

2. Purpose of the instrument

2.1 This instrument makes a consequential amendment to the special rate of Class 2 National Insurance contributions (NICs) payable by share fishermen, as set out in regulation 125(c) of the Social Security (Contributions) Regulations 2001 (S.I. 2001/1004) ("the Contributions Regulations"). The amendment has effect from 6 April 2022.

3. Matters of special interest to Parliament

Matters of special interest to the Joint Committee on Statutory Instruments

3.1 None.

4. Extent and Territorial Application

4.1 The territorial extent of this instrument is the United Kingdom.

4.2 The territorial application of this instrument is the United Kingdom.

5. European Convention on Human Rights

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

6. Legislative Context

6.1 The Social Security (Contributions) (Rates, Limits and Thresholds Amendments and National Insurance Funds Payments) Regulations 2022 (S.I 2022/232) increased the rate of Class 2 NICs to £3.15 per week from 6 April 2022.

6.2 Consequently, the special rate of Class 2 NICs payable by share fishermen will increase to £3.80 per week from 6 April 2022.

6.3 The Secretary of State for Work and Pensions and the Northern Ireland Department for Communities have concurred to the making of the final text of this instrument.

7. Policy background

What is being done and why?

7.1 The basis of indexation of the weekly Class 2 NICs rate has been by reference to the Consumer Price Index (CPI) since 2011. The increase in CPI for the year to September 2021 was 3.1%.

7.2 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 premium to cover contribution-based Jobseeker's Allowance, for which payment of ordinary Class 2 NICs does not give entitlement.

8. European Union Withdrawal and Future Relationship

8.1 This instrument does not relate to withdrawal from the European Union.

9. Consolidation

9.1 Consolidation is not being considered at this time.

10. Consultation outcome

10.1 There was no consultation because the instrument relates to routine changes to rates, limits and thresholds as part of the annual NICs re-rating exercise.

11. Guidance

11.1 Guidance is not required as this instrument does not impose a new obligation. The announcement at Autumn Budget 2021 confirmed the NICs rates, limits and thresholds from 6 April 2022. They can be found on the GOV.UK website at: https://www.gov.uk/government/publications/autumn-budget-2021-overview-of-tax-legislation-and-rates-ootlar/annex-a-rates-and-allowances.

12. Impact

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

12.2 There is no, or no significant, impact on the public sector.

12.3 A Tax Information and Impact Note has not been prepared for this instrument because it gives effect to previously announced policy and it relates to routine changes to rates, limits and thresholds.

13. Regulating small business

13.1 The legislation applies to activities that are undertaken by small businesses in so far as the proprietors are self-employed. These small businesses will need to acquaint themselves with the new rate in order to calculate their National Insurance liabilities from 6 April 2022. There is no impact on employees.

13.2 No specific action is proposed to minimise regulatory burdens on small businesses.

13.3 The basis for the final decision on what action to take to assist small businesses is that the requirement is unchanged from previous tax years. It was therefore considered that no mitigating action was required to assist small businesses.

14. Monitoring & review

14.1 This instrument makes changes to existing rates and will not be subject to specific monitoring and review.

14.2 The instrument does not include a statutory review clause because it relates to a tax, duty, levy or other charge and therefore meets the requirements of the exemption set out in section 28(3)(a) of the Small Business, Enterprise and Employment Act 2015.

15. Contact

15.1 Muhammad Chaudhary at HMRC Telephone: 03000 534 629 or email: muhammad.chaudhary@hmrc.gov.uk can be contacted with any queries regarding the instrument.

15.2 Gareth Jones, Deputy Director for National Insurance, at HMRC can confirm that this Explanatory Memorandum meets the required standard.

15.3 The Rt Hon Lucy Frazer QC MP, Financial Secretary to the Treasury, can confirm that this Explanatory Memorandum meets the required standard.