EXPLANATORY MEMORANDUM TO

THE SOCIAL SECURITY (CONTRIBUTIONS) (RE-RATING) CONSEQUENTIAL AMENDMENT REGULATIONS 2025

2025 No. 318

1. Introduction

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

2. Declaration

2.1 James Murray MP, the 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 Ashta Kalume at HMRC Telephone: 0300 051 7486 or email: nics.policy@hmrc.gov.uk can be contacted with any queries regarding the instrument.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 This instrument makes a consequential amendment to up-rate 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 2025.

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 All Class 2 and 3 rates and all NICs thresholds were frozen at their 2023-24 levels for the 2024-25 tax year.

5.2 This special rate of Class 2 NICs paid by share fishermen is determined by adding a 65 pence uplift to the main rate of Class 2 NICs. The current law for the 2024-25 tax year sets the rate of Class 2 NICs paid by share fishermen at £4.10 per week.

5.3 At Autumn Budget 2024 the Government decided to up-rate the NICs Lower Earnings Limit (LEL) and the Small Profits Threshold (SPT), and the rates of Class 2 and Class 3 NICs, by September's Consumer Price Index (CPI) figure of 1.7%.

5.4 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. The special rate of Class 2 NICs paid by share fishermen will be payable at £4.15 per week for the 2025-26 tax year.

What was the previous policy, how is this different?

5.5 Since 2011, September's CPI figure has been used as the basis for up-rating the weekly Class 2 NICs rate. This process did not happen in 2023-24 or 2024-25 because the Class 2 NICs rates were frozen for those years.

6. Legislative and Legal Context

How has the law changed?

6.1 The Social Security (Contributions) (Rates, Limits and Thresholds Amendments, National Insurance Funds Payments and Extension of Veteran's Relief) Regulations 2025 (S.I 2025/288) increased the rate of Class 2 NICs by September's CPI figure from £3.45 to £3.50 per week from 6 April 2025.

6.2 Consequently, the special rate of Class 2 NICs payable by share fishermen will increase from £4.10 to £4.15 per week from 6 April 2025.

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.

Why was this approach taken to change the law?

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

7. Consultation

Summary of consultation outcome and methodology

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

8. Applicable Guidance

8.1 Guidance is not required as this instrument does not impose a new obligation.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 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 limits and thresholds.

Impact on businesses, charities and voluntary bodies

9.2 The impact on business, charities or voluntary bodies is minimal with businesses being required to make routine changes to their payroll software.

9.3 The impact on small or micro businesses is minimal with businesses being required to make routine changes to their payroll software.

9.4 There is no, or no significant, impact on the public sector, except for routine changes in payroll.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The approach to monitoring of this legislation is to conduct an annual review of the existing NICs rates, limits and thresholds. This is the standard established procedure for monitoring NICs receipts.

10.2 The instrument does not include a statutory review clause in line with the requirements of the Small Business, Enterprise and Employment Act 2015.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 None.

12. European Convention on Human Rights

12.1 As the instrument is subject to negative resolution 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”).