

NATIONAL INSURANCE CONTRIBUTIONS BILL

EXPLANATORY NOTES ON LORDS AMENDMENTS

INTRODUCTION

1. These explanatory notes relate to the Lords Amendments to the National Insurance Contributions Bill, as brought from the House of Lords on 21 January 2015. They have been prepared by HM Revenue and Customs in order to assist the reader of the Bill and the Lords Amendments, and to help inform debate on the Lords Amendments. They do not form part of the Bill and have not been endorsed by Parliament.
2. These notes, like the Lords Amendments themselves, refer to HL Bill 55, the Bill as first printed for the Lords.
3. These notes need to be read in conjunction with the Lords Amendments and the text of the Bill. They are not, and are not meant to be, a comprehensive description of the effect of the Lords Amendments.
4. All the Lords Amendments were in the name of Lord Newby the Government's Treasury Spokesperson.

COMMENTARY ON LORDS AMENDMENTS

Lords Amendment 1

5. Lords Amendment 1 would insert into the Social Security Contributions and Benefits Act 1992 (SSCBA 1992) and the Social Security Contributions and Benefits (Northern Ireland) Act 1992 (SSCB(NI)A 1992), provisions which introduce a zero rate of secondary Class 1 National Insurance contributions (NICs) on earnings paid to apprentices under the age of 25. Secondary Class 1 NICs are contributions paid by employers and others who pay earnings. The provisions that would be inserted include regulation-making powers, exercisable by the Treasury, to define apprentice, vary the age at which the zero rate applies and introduce an earnings threshold above which the zero rate would not apply.

These notes relate to the Lords Amendments to the National Insurance Contributions Bill [Bill 161], as brought from the House of Lords on 21 January 2015

Lords Amendments 2 and 3

6. Lords Amendments 2 and 3 would provide that any use of the power set out in Clause 2 of the Bill to amend or repeal a provision of an Act of Parliament is to be subject to the affirmative resolution procedure. An instrument made under that power that does not repeal or amend a provision of an Act would continue to be subject to the negative resolution procedure.

Lords Amendments 4 and 5

7. Lords Amendments 4 and 5 would apply Schedule 24 to the Finance Act 2007 (penalties for errors) in relation to Class 2 contributions under the new section 11(2) of SSCBA 1992 and the new section 11(2) of SSCB(NI)A 1992 (which are set out in Schedule 1 to the Bill) as if the contributions were income tax chargeable under Chapter 2 of Part 2 of the Income Tax (Trading and Other Income) Act 2005.

FINANCIAL EFFECTS OF THE LORDS AMENDMENTS

8. Lords Amendment 1 would introduce a zero rate of secondary Class 1 NICs on earnings paid to apprentices under the age of 25. It is estimated that this would cost £105 million in 2016-17 rising to £125 million in 2019-20.

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GLOSSARY

Term	Explanation
NICs	National Insurance contributions
SSCBA 1992	Social Security Contributions and Benefits Act 1992
SSCB(NI)A 1992	Social Security Contributions and Benefits (Northern Ireland) Act 1992