

# NATIONAL INSURANCE CONTRIBUTIONS BILL

## EXPLANATORY NOTES ON LORDS AMENDMENTS

### What these notes do

- 1 These Explanatory Notes relate to the Lords Amendments to the National Insurance Contributions Bill as brought from the House of Lords on 23 February 2022.
- 2 These Explanatory Notes have been prepared by HM Revenue & Customs (HMRC) 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.
- 3 The Lords amendments themselves, refer to HL Bill 48, the Bill as first printed for the Lords.
- 4 These Explanatory 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 Lords amendments.
- 5 Lords Amendments 1, 3 and 5 to 12 were tabled in the name of the Minister.
- 6 Lords Amendments 2 and 4 were tabled by Baroness Kramer and Lord Tunncliffe and were opposed by the Government.
- 7 In the following Commentary, an asterisk(\*) appears in the heading of any paragraph that deals with a non-Government amendment.

### Commentary on Lords amendments

#### Lords amendments to Clause 1: Zero-rate contributions for employees at freeport tax sites: Great Britain

##### Lords Amendment 1

- 8 Lords Amendment 1 amends the definition of upper secondary threshold in Clause 1(3) in consequence of Lords Amendments 5 to 9, to include a threshold set in primary legislation as well as Regulations.

#### Lords amendments to Clause 2: Freeport conditions

##### Lords Amendment 2\*

- 9 Lords Amendment 2 adds an additional condition whereby the Freeport NICs relief would only be available if the Freeport governance body maintained a public record of beneficial ownership of businesses operating in the freeport tax site.

#### Lords amendments to Clause 6: Zero-rate contributions for armed forces veterans

##### Lords Amendment 3

- 10 Lords Amendment 3 amends the definition of upper secondary threshold in Clause 6(3) in consequence of Lords Amendments 5 to 9, to include a threshold set in primary legislation as well as Regulations.

## **Lords amendments to Clause 7: Veterans conditions**

### **Lords Amendment 4\***

- 11 Lords Amendment 4 provides the Treasury with the power to extend the eligibility period attached to zero-rate relief for armed forces veterans, should that be deemed desirable to improve the ability of veterans to find long-term employment.

## **Lords amendments to Clause 8: Upper secondary threshold for earnings**

### **Lords Amendment 5 to 9**

- 12 Lords Amendments 5 to 9 set the upper secondary threshold for the 2022-23 tax year for Freeport employers, and for the 2021-22 and 2022-23 tax year for employers of Veterans. The upper secondary thresholds have been set at £25,000 per annum for Freeport employers and £50,270 for employers of veterans. Both these figures have been publicly communicated during the passage of the Bill. These amendments also provide for prescribed equivalents to reflect different pay periods.

## **Lords amendments to Clause 10: Treatment of self-isolation support scheme payments**

### **Lords Amendment 10**

- 13 Lords Amendment 10 ensures that the designation of self-isolation support schemes must be by regulations subject to the negative procedure according to clause 12.

## **Lords amendments to Clause 12: Regulations**

### **Lords Amendments 11 and 12**

- 14 Lords Amendments 11 and 12 provide for regulations under clauses 3(1) and 6(6) to be subject to the draft affirmative procedure.

## **Financial Effects of Lords Amendments**

- 15 The effect of section 2 of the Social Security Act 1993 is that monies payable out of Votes now stand as guarantor of the financial obligations of the National Insurance Fund, subject to a cap (17% of estimated benefit expenditure for the financial year in question). It is not possible to quantify the effect of the various Lords Amendments on monies payable out of Votes, but each amendment therefore has a potential impact in relation to monies payable out of Votes.
- 16 The Government considers the effect of the Lords amendment to Clause 2 would be to potentially reduce the number of employers eligible to claim the Freeport NICs relief which may impact take-up and reduce the number of Freeport employees taken on. The Exchequer Impact for the Freeport tax reliefs were published at the Autumn Budget and Spending Review 2021 and will be updated at future financial events. The Lords amendment to Clause 7 would enable the period of the veteran relief to be extended for each veteran from 12 months. The Tax Information Impact Note for this measure sets out the cost of the current relief based on a 12-month period of relief for eligible veterans.

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