



## **REGIONAL EMPLOYER NICs HOLIDAY FOR NEW BUSINESSES**

**Questions and Answers**

**Issued 22 June 2010**

| <b>Contents</b>          | <b>Page</b> |
|--------------------------|-------------|
| Introduction             | 3           |
| Questions<br>and Answers | 4-6         |

## **Introduction**

### **REGIONAL EMPLOYER NICs HOLIDAY FOR NEW BUSINESSES**

#### **Background**

On 22 June 2010 the Budget Report stated:

“The Government will shortly announce details of a scheme to help new businesses in targeted areas of the UK that need it most. During a three year qualifying period, new businesses which start up in these areas will get a substantial reduction in their employer National Insurance Contributions (NICs).

Within the qualifying period, these employers will not have to pay the first £5,000 of Class 1 employer NICs due in the first twelve months of employment. This will apply for each of the first 10 employees hired in the first year of business and operate in selected countries and regions.

Subject to meeting the necessary legal requirements, the scheme is intended to start no later than September 2010. Any new business set up from 22 June which meets the criteria set out in the forthcoming announcement will benefit from the scheme.”

The countries and regions which will benefit will be Scotland, Wales, Northern Ireland, the North East, Yorkshire and the Humber, the North West, the East Midlands, the West Midlands and the South West.

## Chapter 1

---

### Questions and Answers

#### **Q1 *What is the Regional Employer NICs Holiday for New Businesses?***

The NICs Holiday is a scheme applying in certain regions that will provide for new businesses to enjoy a substantial reduction in their employer National Insurance Contributions.

#### **Q2 *What countries and regions will the Holiday cover?***

The countries and regions which will benefit will be Scotland, Wales, Northern Ireland, the North East, Yorkshire and the Humber, the North West, the East Midlands, the West Midlands and the South West.

#### **Q3 *Why does the Holiday not apply in London, the South East and the East?***

The scheme is intended to promote the formation of new businesses employing staff in those countries and regions most reliant on public sector employment. The proportion of jobs in the public sector is higher in other countries and regions than it is in the Greater South East (London, the South East and the East).

#### **Q4 *What do you mean by a “new business”?***

A business that commences a trade, profession or vocation on or after the date that the Holiday scheme begins and that is able to meet certain criteria will be regarded as a new business and will be able to enjoy the Holiday but the Government will take steps to ensure that only businesses which undertake a sufficient degree of new economic activity will benefit.

#### **Q5 *What are the eligibility criteria?***

Full details of the how the Holiday scheme will work and who is eligible to participate will be made available shortly.

**Q6 *When and where will draft clauses and guidance about this new scheme be available?***

HMRC intends to publish a Technical Note containing an overview of the Holiday scheme and the draft legislation as well as detailed guidance for new businesses on its website before the scheme is launched.

**Q7 *Would I be regarded as a new business if I set up my business after 22 June but before the scheme starts?***

If you meet the criteria that will be published shortly and set up between now 22 June and the time the Holiday scheme starts, you will be liable to pay employer NICs in the period before the start of the scheme but you will receive a Holiday of equal duration once the scheme starts.

**Q8 *How long will the Holiday scheme last?***

The Holiday scheme will end after three years

**Q9 *How many Holidays can a new business enjoy?***

Every new business will be able to claim a Holiday in respect of each of the first 10 employees it hires in its first year of business

**Q10 *How long will individual employees Holidays last?***

Each Holiday will last for the first 52 weeks of the employee's employment, providing these fall within the three year Holiday period.

**Q11 *Is there any restriction on the type of employee I can hire?***

Most employees will be within the scope of the proposed scheme, but there will be some specific exclusions e.g. employees operating under companies caught by the IR35 rules (the deemed payment rules), employees engaged through Managed Service Companies, etc. More details will be available shortly.

**Q12 *Is there any restriction on how much I can pay my employees?***

No. However, there is a maximum amount you can benefit by for any employee: £5,000.

**Q 13 *How can I claim the Holiday?***

Full details will be available shortly.

**Q 14 *How much will the Holiday save me?***

Up to £50,000. Within the qualifying period, if you are eligible you will not have to pay the first £5,000 of Class 1 employer NICs due in the first twelve months of employment. This will apply for each of the first 10 employees hired in the first year of business.

**Q 15 *Are all kinds of businesses covered, including e.g. investment and property businesses?***

Most kinds of business activity (including the examples mentioned) will be eligible for the Holiday provided they employ staff and meet other criteria.

**Q 16 *What are the kinds of business activity that will be excluded?***

Further details will be available shortly about which sectors are to be excluded and why. At this stage, it is clear that businesses in the coal sector will be excluded, and that there will have to be restrictions for the agriculture and fisheries sectors.

**Q 17 *When will the holiday start?***

The Government intends the Holiday to start as soon as is practicable, probably from 6 September 2010, but this is subject to meeting the necessary legal requirements, and is YET TO BE CONFIRMED.

Prospective new businesses should not assume this will be the start date. However, if you meet the criteria that will be published shortly, you will be eligible to benefit if you set up between now and the time the Holiday scheme starts. If you do set up in this period, you will be required to pay employer NICs before the start of the scheme but, if you meet the criteria, you will receive a benefit of equal duration once the scheme starts.

**Q 18 *Will all new businesses benefit?***

No. New businesses are potentially eligible, but individuals employing staff, e.g. for personal services, and existing businesses will not be eligible.

**Q19 *Will existing businesses benefit?***

No; only new businesses set up on or after 22 June are potentially eligible.