



About these notes

These notes tell you about the conditions you need to satisfy to apply for deferment of self-employed National Insurance contributions (NICs). Please read these notes before you complete form CA72B, *Application for Deferment of Payment of Class 2 and/or Class 4 National Insurance contributions (NICs) for 6 April 2007 to 5 April 2008*.

Introduction

The law states that you must meet all NICs liabilities as an employee and as a self-employed person in all of your employments. But, if you are employed and self-employed and expect to pay:

- primary Class 1 NICs as an employee, **and**
- Class 2 and/or Class 4 NICs in your self-employment,

you can ask to defer some of your Class 2 and/or Class 4 NICs until we can calculate the correct amount of NICs due after the end of the following tax year.

You may defer your Class 2 NICs if you are likely to pay Class 1 NICs on earnings of at least £670.00 each week, (£2,904.00 each month), for the whole year.

You may defer some of your Class 4 NICs if you can show that you are likely to pay too much in Class 1, Class 2 and Class 4 NICs.

Important

Even if we allow you Class 4 deferment, you will still have to pay Class 4 NICs at a rate of 1% on all profits above the Lower Profit Limit when you pay your income tax charge on trade profits.

Class 1 NICs

You must pay primary Class 1 NICs if:

- you work as an employee in the UK, **and**
- you are 16 or over and under State Pension age (currently 60 for women, 65 for men), **and**
- your earnings exceed the employee's Earning Threshold of £100.00 each week, or £435.00 each month (or equivalent amounts if you are paid at other intervals).

Class 2 NICs

If you are aged 16 or over and self-employed, you must pay Class 2 NICs unless:

- you are a man aged 65 or over, or a woman aged 60 or over, **or**
- you are entitled to pay reduced rate employee's Class 1 NICs as a married woman or widow, **or**
- you have small earnings and have a Certificate of Small Earnings Exception for the period concerned.

The Class 2 weekly rates for the 2007-2008 tax year are:

- Self-employed £2.20
- Share Fishermen £2.85
- Volunteer Development Worker £4.35

Self-employed with small earnings

If you are employed and self-employed, but you expect your self-employed earnings to be less than the Small Earnings Exception Limit of £4,635.00 for 2007-2008 you:

- may not have to pay Class 2 NICs, **and**
- should not make a claim for deferment.

Phone the Self-Employed Helpline on **0845 915 4655**, (Monday to Friday 08.00 to 17.00), and ask about claiming Small Earnings Exception. Please have your National Insurance number ready when you call. You can also go to www.hmrc.gov.uk/selfemployed

Newly self-employed

You must register for tax and NICs within 3 months from the end of the month in which you become liable to pay a Class 2 contribution.

HM Revenue & Customs (HMRC) may charge a penalty of £100.00 if you do not register within the time limit.

Register by phoning the Helpline for the Newly Self-Employed on **0845 915 4515**, (Monday to Friday 08.00 to 20.00, Saturday and Sunday 08.00 to 16.00). Please have your National Insurance number ready when you call. You can also go to www.hmrc.gov.uk/startingup

Class 4 NICs

Class 4 NICs are profit related and for 2007-2008 are calculated at:

- 8% of profit or gains between the Lower Profit Limit of £5,225.00 and Upper Profit Limit of £34,840.00, **and**
- 1% of profit or gains above the Upper Profit Limit.

They are normally self assessed and collected with the income tax charge on trade profits.

If you:

- are self-employed, and/or
- receive income that is assessed for tax by a charge on trade profits,

you may have to pay Class 4 NICs, provided your profits and gains are over the Lower Profit Limit.

You are liable to pay Class 4 NICs for the whole of the tax year in which you reach 60 (women) or 65 (men).

When you do not have to pay Class 4 NICs

You do not have to pay Class 4 NICs if you are:

- a woman aged 60 or over, or a man aged 65 or over, at the beginning of the year of assessment (including if your 60/65 birthday falls on 6 April), **or**
- not resident in the UK for income tax purposes, **or**
- a trustee, executor or administrator, (in some cases only), **or**
- a sleeping partner, that is you supply capital and take a share of the profits but take no active part in running the business, **or**
- a diver or diving supervisor working in connection with exploration or exploitation activities on the UK continental shelf or in UK territorial waters and you receive income that is assessed for tax by a charge on trade profits.

If you are assessed for Class 4 NICs and you think you should have been excepted under one of the categories above, inform the HMRC office dealing with your Tax Return.

Class 1 NICs on income that is assessable to tax by a charge on trade profits, and ancillary business earnings assessed to tax by a charge on trade profits.

Example 1 - Class 1 NICs on income that is assessable to tax by a charge on trade profits

Class 4 NICs are normally payable on all income that is assessed as trade profits from self-employment. However some individuals (for example various people working in the entertainment industry), have earnings from employed earner's employment on which they pay Class 1 NICs, but which are chargeable to tax by a charge on trade profits.

If you have **any** earnings from employed earner's employment for the 2007-2008 tax year, which are chargeable to tax by a charge on trade profits, those earnings should be removed from the profit figure for any Class 4 NICs liability on your Tax Return.

Example 2 - Ancillary business earnings assessed to tax by a charge on trade profits

You may receive earnings from employed earner's employment and an amount representing those earnings is subsequently paid into your business accounts which are used in the calculation of trade profits from self-employment. For example, you may be a Sub-postmaster or Doctor.

If you pay an amount representing earnings from employed earner's employment into your business accounts for the 2007-2008 tax year, that amount should be removed from the profit figure for any Class 4 NICs liability on your Tax Return.

In both of the examples above, no Class 4 NICs are due on earnings from employed earner's employment. There is no need to apply for deferment in respect of those earnings.

If example 1 or 2 applies to you, when completing your Tax Return you should exclude **all** employed earner's earnings when calculating the taxable profits for assessing Class 4 NICs liability. To do this you should record an adjustment to profits liable for Class 4 NICs on your Tax Return. Please see Class 4 NICs in the notes on the Self-Employment pages of the Tax Return.

These earnings should not be included in the profits and gains shown on your Tax Return. However, you may still have earnings from self-employment after you exclude earnings from employed earner's employment. Such earnings will be chargeable to tax as trade profits and liable for Class 2 and Class 4 NICs.

If this applies to you but you still expect to pay too much in Class 1, Class 2 and Class 4 NICs you can either:

- apply for deferment of Class 2 and/or Class 4 NICs, **or**
- apply for a refund of Class 4 NICs when your Tax Return has been finalised and fully paid.

Share fishermen

Specific conditions apply if you are a Share fisherman as well as an employee.

If you have not made arrangements for someone to record and collect Class 4 NICs on your behalf, you must apply for deferment of Class 4 NICs. In this case you should write to Deferment Services at the address shown at "How to contact us for help" on page 3.

For further information about Share fishermen, phone the Class 2 Self-Employed Helpline on **0845 915 4655**, (Monday to Friday 08.00 to 17.00). Please have your National Insurance number ready when you call. You can also go to www.hmrc.gov.uk/selfemployed

Third party applications

If you want us to deal with a third party, we need signed written consent. This authority overrides any earlier authority submitted to HM Revenue & Customs (HMRC).

If you want an accountant, advisor or someone to act on your behalf in connection with any matter involving HMRC, please fill in form 64-8 Authorising your Agent and send it with your deferment application to the address shown at 'How to contact us for help' on page 3.

You can get a copy of form 64-8 from:

- the orderline by phone or textphone on **0845 900 0404** or fax **0845 900 0604**, from 08.00 to 22.00, 7 days a week, (excluding Christmas Day)
- email at saorderline.hmrc@gtnet.gov.uk
- any Enquiry Centre. Details can be found in The Phone Book under 'HM Revenue & Customs'
- HMRC website at 'Forms and notes available to download' www.hmrc.gov.uk/menus/otherforms.htm

How to apply

If you satisfy the conditions for deferment of Class 2 and/or Class 4 NICs, please fill in and sign the application form CA72B we have sent you with these Notes, then send it back to us.

When to apply

You should send us your 2007-2008 application form as soon as possible before 6 April 2007, but we will accept it up to 5 April 2008.

If we receive your application after 5 April 2008 we will only consider allowing you deferment of Class 4 NICs, and only if your Class 4 liability is:

- not fully paid **or**
- under enquiry.

This is because you should have paid Class 2 NICs during the contribution year in which you were self-employed. We cannot allow deferment of Class 2 NICs after the end of the relevant year.

After you apply

When we receive your application we will consider it. To help us we may ask you to send us some payslips.

If we can allow you to defer

We will write to tell you what class(es) of NICs have been deferred.

Important

You must note deferment of Class 4 NICs on your Tax Return for that tax year.

You should only pay Class 4 NICs at a rate of 1% on all your profits above the Lower Profit Limit when you pay your income tax charge on trade profits.

After the end of the tax year

We will look at your NI account to check that you have paid enough NICs in the tax year.

If you have not paid enough NICs and you owe money, we will write to ask you for payment.

What happens next year

We will, if appropriate, invite you to renew your deferment before the start of the next tax year.

If we cannot allow you to defer

We will write to you to tell you why.

Too late to apply

If you did not apply for deferment in time and have paid:

- Class 1 and Class 4 NICs, **or**
- Class 1, Class 2 and Class 4 NICs

you may be able to get a refund of overpaid Class 4 NICs. To ask about making a claim, please see, 'How to contact us for help', below. We cannot give you a refund until your Tax Return for the year has been finalised and fully paid.

How to contact us for help

To contact us either:

- phone Deferment Services on **0845 915 7141** (Monday to Thursday 08.30 to 17.00, Friday 08.30 to 16.30), or
- write to us at:

**HM Revenue & Customs
National Insurance Contributions Office
Deferment Services
Benton Park View
Newcastle upon Tyne
NE98 1ZZ**

When you contact us, please tell us your full name, National Insurance number and a daytime phone number.

If you are employed with more than one job

If you have more than one job and expect to pay primary Class 1 NICs on earnings of at least:

- £670.00 each week, (£2,904.00 each month) throughout the whole tax year in one job, **or**
- £770.00 each week, (£3,339.00 each month) throughout the whole tax year in two jobs,

you can ask to defer paying some of your Class 1 NICs in any other job(s) you have, until we can calculate the correct amount of NICs due after the end of the tax year. To ask about deferring Class 1 NICs please see 'How to contact us for help', above.

Improving our service to you

We are always pleased to receive your comments and suggestions about how we can improve our service. Please contact us at the address and phone the number shown above if you have any comments or are unhappy with our service.