

THE DRAFT SOCIAL SECURITY (CONTRIBUTIONS) (AMENDMENT) REGULATIONS 2008

From April 2009 entitlement to state second pension (S2P), contracted-out rebates for those in contracted-out employment and minimum contributions for those who hold appropriate personal pensions will be calculated by reference to a new earnings threshold called the upper accrual point (UAP). The UAP will be set in primary legislation as a weekly figure of £770.

Purpose of the Regulations

This instrument deals with two issues arising from the introduction of the UAP.

- Firstly, it ensures that S2P, contracted-out rebate and minimum contribution calculations can be made in respect of earners who receive their earnings other than weekly, for example fortnightly or monthly. It does this by putting in place a calculation method for determining prescribed equivalents to the weekly UAP. The calculation method used to determine the prescribed equivalents will follow the long standing and already familiar method used to calculate the prescribed equivalents of other benefit related earnings thresholds, such as the Lower Earnings Limit (LEL).
- Secondly, as the UAP is a new earnings threshold, it provides for a change in the way that employers are to record earnings on tax deduction cards and to report those earnings to HMRC at the end of the tax year. For tax years from 2009/10 onwards, employers will need to report, as separate figures, earnings between the Primary Threshold (PT) and the new UAP and the UAP and the Upper Earnings Limit (UEL).

In addition, the opportunity has been taken to amend regulation 11(1).

Regulation 11(1) provides for the determination of the prescribed equivalents

of the upper and lower earnings limits and the primary and secondary thresholds. This regulation now refers to section 22 of the Social Security Contributions and Benefits Act to reflect the amendment made to sub-section (9) of that section by the 2007 National Insurance Contributions Bill. It also refers to section 45(1) of the Pensions Scheme Act 1993 which has been inadvertently omitted from that regulation.

There are no consequences in practice as these amendments reflect the present calculation processes.

How the changes work

- Where an earner is paid other than weekly, for example monthly, the weekly UAP will be replaced by a prescribed equivalent. The equivalent limit will be calculated in the same manner as the LEL and UEL equivalents. Where the earner is paid:
 - in multiples of a week, e.g. every fortnight, the weekly limit is multiplied by the number of weeks,
 - monthly, the weekly limit is multiplied by 4 $\frac{1}{3}$,
 - in multiples of a month, e.g. every quarter, the monthly limit is multiplied by the number of months,
 - at any other interval, one seventh of the weekly limit is multiplied by the number of days in the period.

- For the tax year 2009/10 employers will need to record on an employee's tax deduction card (form P11) and the corresponding End of Year Return (form P60) earnings under four headings:
 - earnings up to the LEL (where earnings reach or exceed the LEL),
 - earnings which exceed the LEL but do not exceed the PT,
 - earnings that exceed the PT but do not exceed the UAP, and
 - earnings that exceed the UAP but do not exceed UEL.

Extent

These draft Regulations do not make provision for Northern Ireland. It is anticipated that, subject to the agreement of the Northern Ireland Executive, provision to introduce an Upper Accrual Point for Northern Ireland will be made by the Northern Ireland Assembly. Consideration will be given to supporting regulations relating to Northern Ireland in due course.