

2009 Pre-Budget Report



PBRN01

9 December 2009

NATIONAL INSURANCE CONTRIBUTIONS RATES AND THRESHOLDS

Who is likely to be affected?

1. All employers, employees and the self employed.

General description of the measure

2. This measure sets the National Insurance Contributions (NICs) rates and thresholds that will apply for 2010-11. The Lower Earnings Limit (LEL) which is linked to the basic State Pension will increase by £2 to £97 per week and the special Class 2 rate for Volunteer Development Workers will increase by 10p to £4.85 per week as this is linked to the LEL. All other NICs rates and thresholds are unchanged for 2010-11.
3. The 2008 Pre-Budget Report (PBR) announced that from 2011-12 the main rate of Class 1 and Class 4 NICs will be increased by 0.5 per cent to 11.5 per cent and 8.5 per cent respectively. The Class 1 employer rate will be increased by 0.5 per cent to 13.3 per cent. The increased rate will apply to Class 1A and 1B contributions. The additional rate of Class 1 and 4 NICs will also be increased by 0.5 per cent to 1.5 per cent.
4. From 2011-12, this measure increases the main rate of Class 1 and 4 NICs by a further 0.5 per cent to 12 per cent and 9 per cent respectively.
5. The Class 1 employer rate will be increased by a further 0.5 per cent to 13.8 per cent from 2011-12. The increased rate will also apply to Class 1A and 1B contributions.
6. The additional rate of Class 1 and 4 NICs will be increased by a further 0.5 per cent to 2 per cent from 2011-12.
7. The primary threshold and lower profits limit will be increased by £570 for 2011-12 above plans announced in the 2008 PBR to compensate the lowest earners for the increase in the Class 1 and 4 rates.

Operative date

8. The increase in the NICs LEL and the special rate for Volunteer Development Workers will have effect on and after 6 April 2010.
9. The changes to the NICs primary threshold and the rates of NICs will have effect on and after 6 April 2011.

Current law and proposed revisions

10. The change to the LEL for 2010-11 will be introduced by regulations.
11. The change to the rates of Class 1 and 4 NICs in 2011-12 will require a National Insurance Contributions Bill.

Further advice

12. If you have any questions about this change, please contact Hasan Mustafa on 020 7147 2508 (email: hasan.mustafa@hmrc.gsi.gov.uk). Information about Pre-Budget Report measures is available on the HM Revenue & Customs website at www.hmrc.gov.uk.