

Introduction

These notes will help you decide whether to apply for a Certificate of Small Earnings Exception (SEE). If you decide you want to apply, please fill in the attached application form on pages 3 and 4 or you can apply by email at www.hmrc.gov.uk/lowearnings

Who should pay Class 2 National Insurance contributions (NICs)

If you are aged 16 or over and self-employed (even in your spare time) you must pay Class 2 NICs, currently £2.75 per week, unless:

- you are over State Pension age
- you applied before 1977 and are entitled to reduced contribution liability as a married woman or widow
- you have applied for and been given a Certificate of SEE for the period concerned

Why pay Class 2 NICs

Class 2 NICs count towards:

- State Pension
- Employment and Support Allowance
- bereavement benefits
- Maternity Allowance

If you don't pay Class 2 NICs or you apply for, and receive, a Certificate of SEE **you may lose your entitlement to State Pension and the benefits listed above.**

If your earnings are low and you don't apply for SEE, you must pay Class 2 NICs. If you fail to pay, a private debt collection agency may contact you or we may collect what you owe from your tax code.

If you reach State Pension age on or after 6 April 2016, you may be affected by the changes to simplify the State Pension. You may wish to consider how these changes affect your decision to pay Class 2 NICs. For more information go to www.gov.uk/changes-state-pension.

Self-employed and claiming Jobseeker's Allowance

When you are self-employed you remain liable to pay Class 2 NICs during periods you are temporarily unemployed and claiming benefits. However, if your earnings from self-employment are below the small earnings exception level you can apply for a Certificate of SEE. If awarded, you don't need to pay Class 2 NICs.

Paying to protect benefit entitlement

Even if you receive a Certificate of SEE, you can still choose to pay Class 2 NICs voluntarily to protect your entitlement to some benefits. Before you decide to pay voluntary NICs, you should go to www.gov.uk/browse/working/state-pension to get more information about your State Pension entitlement, including the number of qualifying years you have to date, National Insurance credits and other benefits.

Women who are considering applying for SEE or who already have a certificate and wish to pay Class 2 voluntarily, should get advice from Jobcentre Plus as holding a Certificate of SEE can affect the rate of Maternity Allowance you may be entitled to.

If you want to pay Class 2 NICs voluntarily, tell us at question 15 on the application form or return your Certificate of SEE with item 1 completed.

Small earnings

You may not have to pay Class 2 NICs, if your earnings, (that is money left after expenses) were, or are expected to be:

- less than £5,725 in the period from 6 April 2013 to 5 April 2014
- less than £5,885 in the period from 6 April 2014 to 5 April 2015

If this applies you should fill in and send us the application form on pages 3 and 4 as soon as possible. We will check your application and your Self Assessment returns (if available).

If your earnings for the 2014-15 tax year will be significantly lower than the previous tax year, please supply evidence and tell us the reason why.

If you have not filed any Self Assessment returns, please send us a copy of your profit and loss accounts with your application, unless you are a new business, in which case your estimate will be sufficient.

If you do claim SEE you will still need to register with HMRC as self-employed. It's quick and easy to register online. For more information go to www.hmrc.gov.uk/selfemployed

Working out your earnings

You cannot apply for SEE if your earnings from self-employment during the period from 6 April 2014 to 5 April 2015 have reached £5,885 by the time you apply.

If you are self-employed in more than one business, add together the net earnings from each, so a loss incurred in one may be offset against a profit in another. Do not count as earnings any income from the New Enterprise Allowance scheme or from sources other than self-employment.

To work out your total net earnings, deduct from gross earnings any business expenses you have incurred. For example, you can deduct rent and rates, insurance, employees' wages, printing and stationery, repairs and postage. You can also make an allowance for depreciation of equipment or a vehicle if used for your business. For more information go to www.hmrc.gov.uk/incometax/relief-self-emp.htm

You should not make deductions for any of your own drawings, Income Tax payments or for Class 2 and/or Class 4 NICs that are payable.

You should account for the amount or value of any stock you withdraw from your business for your own use.

Where you also have earnings from employed earner's employment in the same year **and** those earnings are shown in the accounts of the business as a business receipt, you can disregard those earnings when you work out the profits from your self-employed business.

We will also accept three line accounts from taxpayers who have a gross turnover of less than £79,000 per year. Three line accounts should show gross business takings or earnings, including commissions or tips, total expenses and net profit figures. Accurate business records still need to be kept.

After we get your estimate of what you are likely to earn, HMRC will check your application and Self Assessment returns, if available. We may ask you to send a copy of your profit and loss accounts, or three line accounts, and we may also consider your earnings in earlier years and any changes that have occurred since.

If you are a new business your estimate will be sufficient.

Special circumstances

Protecting your State Pension

Unless you have a SEE, as a self-employed contributor you must pay Class 2 NICs for the time you are self-employed, even if you already have enough qualifying years for your State Pension.

Important information

The government is changing the State Pension from April 2016.

This new State Pension will be for:

- men born on or after 6 April 1951
- women born on or after 6 April 1953

The changes will replace the current system of basic State Pension and additional State Pension with a single system - the single-tier pension. You will need a minimum of 10 qualifying years to receive any State Pension from 2016. National Insurance contributions paid before 2016 will be recognised in the new system. Changes are also being made to the State Pension age.

If you reach State Pension age on or after 6 April 2016, you will be affected by these proposed changes. You may wish to consider how these changes affect your decision to pay voluntary Class 2 NICs. For more information go to

www.gov.uk/changes-state-pension

If you reach State Pension age before April 2016, the present rules apply, for more information go to www.gov.uk/state-pension/overview

From 6 April 2010 credits for Parents and Carers which count towards your basic State Pension are available to certain people who receive Child Benefit, care for a sick or disabled person or are approved foster carers. There are also credits for family members (other than parents) who care for a child under 12. For more information go to www.gov.uk/national-insurance-credits

Men reaching or over age 60

If you are under 65, and born before 6 October 1953, and your earnings are low, it may be worthwhile applying for a Certificate of SEE. If you are granted exception in these circumstances, you will benefit from contribution credits which are awarded automatically to protect your State Pension and other benefits. Autocredits cannot be given if you spend more than 182 days abroad within a year. Eligibility for autocredits is being withdrawn in October 2018 to be in line with the increase in women's State Pension age.

Your Certificate of Small Earnings Exception (SEE)

If your application is approved, we will send you a Certificate of SEE. The certificate will usually start from the date of your application although it may be backdated for up to 13 weeks and will normally end at the end of the tax year in April. It cannot be issued to cover any week that you have already paid Class 2 NICs. However, you may be able to get a refund of the NICs you have already paid - see the section 'Getting a refund'.

Certificates can be backdated for a maximum of 13 weeks and you will need to pay Class 2 NICs for any period not covered by a valid Certificate of SEE. We will let you know if this affects you after we have checked your Self Assessment, three line accounts and/or profit and loss accounts either on your first or renewal application.

Getting a refund

Before applying for a refund of Class 2 NICs you should consider the effect on future benefit entitlement. If you have paid Class 2 NICs and have small earnings for the same period you can get a refund even though you may not have applied for your certificate at the proper time. For example, if your net self-employed income (that is your profit after deducting expenses) earned in the period 6 April 2013 to 5 April 2014 was less than £5,725.

How to apply

If you think you are entitled to a refund, you or your agent, need to send us:

- a signed letter stating that you want a refund
- proof of earnings for the relevant tax year, for example
 - profit and loss accounts
 - some other form of evidence that shows your income

Do not delay writing to us as you can send proof later.

Time limits

There are strict time limits for refunds. You must apply no later than the 31 January following the end of the tax year (6 April to 5 April) in question. For example, a refund of Class 2 NICs paid for the period 6 April 2013 to 5 April 2014 must be claimed after 5 April 2014 but before 31 January 2015.

If you are employed and self-employed

The law requires that you meet all National Insurance liabilities as an employee in all of your employments and as a self-employed person. If you work for an employer as well as being self-employed, you may be allowed to delay paying some of your Class 2 and/or Class 4 NICs. This is called 'deferment'. You should only apply for deferment if your net self-employed earnings are expected to be above the small earnings exception level of £5,885. If you expect your self-employed earnings to be less, then deferment is not applicable and you may qualify for SEE and will need to apply. For more information go to www.gov.uk/defer-self-employed-national-insurance

How we use your information

HM Revenue & Customs is a Data Controller under the Data Protection Act 1998. For more information go to www.gov.uk/hmrc/information-charter

Please read the attached guidance before you fill in this form using capital letters. If you need more information, phone the National Insurance Self-employed Helpline on **0300 200 3505** or go to **www.hmrc.gov.uk/selfemployed**

This form is not an application for a refund

1 Surname

2 First forename

3 Other forenames

4 Title (Mr, Mrs, Miss, Ms or other)

5 National Insurance number

6 Date of birth DD MM YYYY

7 When did your self-employment start? DD MM YYYY

8 Home address

9 Phone number
 Home

 Mobile

10 Business address if different from home address

Phone number

11 What is your occupation when self-employed?
 If you have more than one occupation and need more space, please give details in 'Additional information' on page 4

12 What are your expected net earnings from self-employment for the period 6 April 2014 to 5 April 2015? This should be below £5,885
 £

13 If you have been self-employed for more than 12 months, what is the last tax or accounting year for which you have earnings figures? The information you give will be treated as confidential
 From DD MM YYYY

 To DD MM YYYY

14 If you have been self-employed for more than 12 months please enter below three line accounts for the above period (Gross business takings or earnings should include commissions or tips)
 Gross business takings/earnings
 £

Total expenses
 £

Net profit figure
 £

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15 If you have applied for and are granted SEE do you want to pay Class 2 NICs voluntarily?

No Yes

If Yes, from what date? DD MM YYYY

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
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If you are unsure what date to pay voluntarily from phone 0300 200 3505

16 Declaration

I have read the guidance and declare that the information given on this form is true and complete to the best of my knowledge and belief.

Signature

Date DD MM YYYY

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
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Tear off this form and send it to:

HM Revenue & Customs
National Insurance Contributions & Employer Office
Self Employment Services
Benton Park View
NEWCASTLE UPON TYNE
NE98 1ZZ.

Please keep the guidance for reference.

Additional information

Use this as the extra space you may need for questions 11 and if you need to tell us about a reduction in your earnings. (Use a separate sheet if necessary.)

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