

## **Overview of the Primary legislation required for the introduction of a Zero-rate of secondary Class 1 National Insurance contributions for veterans with effect from 6 April 2021**

### **Amendment to the Social Security Contributions and Benefits Act 1992 (SSCBA 92) and the Social Security Contributions and Benefits (Northern Ireland) Act (SSCBA(NI) 92).**

1. Clause 1(1) introduces Schedule 1 which makes provision about the Zero-rate of secondary Class 1 National Insurance contributions for veterans of the armed forces and Clause 1(2) sets out what the parts of the schedule will provide in that:
  - Part 1 inserts provisions into Part 1 of the Social Security Contributions and Benefits Act 1992,
  - Part 2 inserts provisions into Part 1 of the Social Security Contributions and Benefits (Northern Ireland) Act 1992, and
  - Part 3 contains minor and consequential amendments.
2. Clause 1(3) provides for this legislation to apply only to the 2021-22, 2022-23 and 2023-24 tax years.
3. Clauses 1(4) and 1(5) provide the Treasury with a power to make regulations to amend Clause 1(3) to add one or more tax years.

#### **Schedule 1 Part 1**

4. Part 1 of the Schedule provides for amendments to the SSCBA 92.
5. Paragraph 2 inserts a new paragraph into section 9(1A) which provides for the secondary Class 1 contribution rate of 0% to apply to earnings where new section 9C applies.
6. Paragraph 3 provides for the insertion of a new section 9C into SSCBA 92. Section 9C sets out who qualifies as a veteran, which employments the zero-rate applies to and the duration of the application of the zero-rate.
7. Section 9C(1)(a) defines a veteran as anyone who has served for at least 1 day (this includes basic training) as a member of the regular forces.

8. Section 9C(1)(b) defines that the employment must be in a civilian capacity (which is defined in section 9C(7) as employment other than service as a member of HM Forces).
9. Section 9C(1)(c) defines the period for which the zero rate applies as starting on the first day of employment in a civilian capacity, after the person last ceased to be a member of the regular forces, and ending one year later.
10. Section 9C(2) provides that this legislation also applies to those who have left the regular forces and their employment commenced before the start of the 2021-22 tax year. The period of 1 year set out in section 9C(1)(c) commences from the start of the first employment and not the start of the 2021-22 tax year. The legislation will apply to a veteran who could have left the forces several years ago as long as this is their first civilian employment. The relief can only be applied to earnings paid on or after 6 April 2021.
11. Section 9C(3), (4) and (5) limits the application of the zero rate to earnings between the secondary threshold (ST) and the upper secondary threshold (UST). That means the employer will be liable to pay standard rate Secondary NICs on all earnings above the UST. It also provides the power for the Treasury to make regulations that modify the effect of this section and sections 9A and 9B of SSCBA 92. This will allow Treasury to set a distinct UST specifically for veterans.
12. Section 9C(6) sets out that this section does not remove the liability to pay a secondary Class 1 contribution on the relevant earnings, but simply applies a zero rate. That means for the purposes of the Apprenticeship Levy the earnings will count as part of the employer's pay bill when assessing liability.
13. Paragraph 3 also provides for the insertion of a new section 9D into SSCBA 92.
14. Section 9D(1) and 9D(2) provides treasury with a power to define an upper secondary threshold that specifically applies to section 9C.
15. Section 9D(3) provides that Subsections (4), (5) and (6) of section 5, apply for the purposes of an upper secondary threshold in relation to earnings to which section 9C applies. Section 5 provides for a power to prescribe

equivalents, other than weekly, to an upper secondary threshold in the same manner as it does for the secondary threshold.

### **Schedule 1 Part 2**

16. Part 2 of the Schedule provides for amendments to the Social Security Contributions and Benefits (Northern Ireland) Act 1992.

17. Paragraphs 4 to 6 mirror the changes to the Social Security Contributions and Benefits Act 1992 set out in Part 1, as described above.

### **Schedule 1 Part 3**

18. Part 3 makes minor and consequential amendments to the SSCBA 92 and the SSCBA(NI) 92.

19. Paragraph 7 amends section 176 of the SSCBA 92 to set out which parliamentary procedures apply to the regulation making powers contained in new sections 9C and 9D. Section 176(1)(a) provides that the affirmative procedure applies to the provisions listed in that paragraph, so the powers conferred by new sections 9C(4), 9D(1) and 9D(2) will each attract the affirmative procedure.

20. Paragraph 8 makes the mirroring changes in Paragraph 7 to Section 172(11A) to the Northern Ireland Act.

### **Commencement and transitional provision**

21. Clause [j003] provides for commencement. Under subsection (1), this clause comes into force on the day on which the Act is passed. Otherwise, under subsection (2), these provisions come into force on such day as the Treasury may by regulations appoint. Subsection (3) allows the Treasury to make transitional, transitory or saving provision in connection with the coming into force of a provision of this Act by regulations. Regulations under subsection (2) may make different provision for different purposes.

22. The parliamentary procedure for powers contained in the draft clauses which are not being inserted into the SSCBA 92 are:

- The power to add tax years for which the amendments made by clause 1(3) have effect, and

- The power to make transitional, transitory and saving provision. Each of those attracts the negative procedure.

If you have any questions about the clauses or this Technical Note, please contact [nics.correspondence@hmrc.gov.uk](mailto:nics.correspondence@hmrc.gov.uk).