

Draft Regulations laid before Parliament under section 176(1) of the Social Security Contributions and Benefits Act 1992 and section 172(11A) of the Social Security Contributions and Benefits (Northern Ireland) Act 1992, for approval by resolution of each House of Parliament.

STATUTORY INSTRUMENTS

2014 No.

SOCIAL SECURITY

**The Social Security (Contributions) (Amendment No. X)
Regulations 2014**

<i>Made</i>	- - - -	***
<i>Laid before Parliament</i>		***
<i>Coming into force</i>	- -	***

The Treasury make the following Regulations in exercise of the powers conferred by [section 18A(1) and (3) of the Social Security Contributions and Benefits Act 1992](a) and [section 18A(1) and (3) of the Social Security Contributions and Benefits (Northern Ireland) Act 1992](b):

Citation, commencement and effect

1.—(1) These Regulations may be cited as the Social Security (Contributions) (Amendment No. X) Regulations 2014.

(2) These Regulations come into force on [...] and have effect for the tax year 2014-15 and subsequent tax years.

Amendment of the Social Security (Contributions) Regulations 2001

2.—(1) The Social Security (Contributions) Regulations 2001(c) are amended as follows.

(2) After regulation 94A (exception from Class 4 liability in respect of certain amounts chargeable to income tax under Schedule D)(d) insert—

“Liability of a partner in an AIFM firm for Class 4 contributions

94B.—(1) This regulation applies if an AIFM firm has made an election under [section 863D of ITTOIA 2005 (election for special provision for alternative investment fund managers to apply)(e)].

(2) Where a partner (“P”) in an AIFM firm allocates a profit (“the allocated profit”) to that firm as provided for in [section 863E(2) of ITTOIA 2005 (allocation of profit to the

(a) 1992 c. 4. Section 18A was inserted by [section 12(2) of the National Insurance Contributions Act 2014 (c. x)].

(b) 1992 c. 7. Section 18A was inserted by [section 12(5) of the National Insurance Contributions Act 2014].

(c) S.I. 2001/1004.

(d) Regulation 94A was inserted by regulations 2 and 4 of S.I. 2003/2958.

(e) 2005 c. 5. Sections 863D to 863H were inserted by [paragraph [x] of Schedule [x] to the Finance Act 2014 (c. x)].

AIFM firm)], no Class 4 contributions are payable at the time of allocation in respect of that allocated profit.

(3) Paragraph (4) applies if all or part of the allocated profit vests in P at a time when P is carrying on the AIFM trade (whether as a partner in the AIFM firm or otherwise).

(4) The amount treated as a profit under [section 863F(2) and (5) of ITTOIA 2005 (vesting of remuneration represented by the allocated profit)] is to be treated for the purposes of the Act as if it were profits—

- (a) to which section 15(1) of the Act (class 4 contributions recoverable under the Income Tax Acts)(a) applies; and
- (b) made by P in the tax year in which that profit is chargeable to income tax under Chapter 2 of Part 2 of ITTOIA 2005.

(5) In this regulation—

“AIFM firm” and “AIFM trade” have the meaning given in [section 863D(3) of ITTOIA 2005]; and

“ITTOIA 2005” means the Income Tax (Trading and Other Income) Act 2005(b).”.

	Name
	Name
Date	Two of the Lords Commissioners of Her Majesty’s Treasury

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Social Security (Contributions) Regulations 2001 (S.I. 2001/1004) (“the principal Regulations”) by modifying the way in which the liability of partners in AIFM firms for Class 4 contributions is determined. The amendments are made in connection with [sections 863D to 863H of ITTOIA 2005 (inserted by paragraph x of Schedule x to the Finance Act 2014 (c. x))], which make special provision for determining the income tax liability for profits of partners in AIFM firms where those profits are deferred in line with regulatory requirements.

Regulation 1 provides for the citation, commencement and effect. These Regulations have effect for the tax year 2014-15 and subsequent tax years. The power to make the Regulations with retrospective effect is provided for in section [18A(3) of the Social Security Contributions and Benefits Act 1992 (c. 4) and section 18A(3) of the Social Security Contributions and Benefits (Northern Ireland) Act 1992 (c. 7)].

Regulation 2 amends the principal Regulations by inserting new regulation 94B which applies where an AIFM firm has made an election under [section 863D of ITTOIA 2005]. Paragraph (2) of new regulation 94B provides that where a partner in an AIFM firm allocates profits to that firm (see section 863E(2) of ITTOIA 2005) no Class 4 contributions shall be payable at the time of allocation in respect of those profits. Where all or part of the allocated profit vests in the partner at a time when the partner is carrying on the AIFM trade, paragraph (4) of new regulation 94B provides that Class 4 contributions are payable by the partner on that profit in the same tax year as that in which the profit is chargeable to income tax.

A Tax Information and Impact Note covering this instrument was published on [5 December 2013] alongside [the National Insurance Contributions Bill] and is available on the HMRC website

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- (a) “The Act” is defined in regulation 1(2) as the Social Security Contributions and Benefits Act 1992 (c. 4). Section 15(1) has been amended by sections 882(1) and 884 of, paragraphs 419 and 420 of Schedule 1 to, and Schedule 3 to, the Income Tax (Trading and Other Income) Act 2005 (c. 5). Regulation 156(3) provides that references to enactments applying only to Great Britain shall be construed as including a reference to corresponding enactments applying to Northern Ireland, which in this case is the Social Security Contributions and Benefits (Northern Ireland) Act 1992 (c. 7). Section 15(1) has been amended by sections 882(1) and 884 of, and paragraphs 423 and 424 of Schedule 1 to, and Schedule 3 to, the Income Tax (Trading and Other Income) Act 2005.
 - (b) 2005 c. 5.

at <https://www.gov.uk/government/collections/national-insurance-contributions-bill>. It remains an accurate summary of the impacts that apply to this instrument.

Consultation Draft