

# Changing the definition of "Employed Earner" in the Social Security Contributions & Benefits Act 1992 and The Social Security & Benefits (Northern Ireland) Act 1992

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## Who is likely to be affected?

The change in legislation applies to employed earners gainfully employed in the either Great Britain or Northern Ireland in an office (including elective office).

## General description of the measure

This tax information and impact note covers an amendment to the Social Security Contributions & Benefits Act 1992 (SSCBA) and the Social Security Contributions & Benefits (Northern Ireland) Act 1992 (SSCB(NI)A).

## Policy objective

This change clarifies the law in respect of who is to be regarded as an employed earner for National Insurance contribution (NICs) purposes. The change makes it clear that in order to be regarded as an employed earner, an office holder has to be in receipt of earnings as defined for NICs purposes and gainfully employed in either Great Britain or Northern Ireland.

## Background to the measure

The drafting of the Income Tax Earnings and Pensions Act 2003 (ITEPA 2003) resulted in some consequential changes to NICs legislation. It amended the definition of "employed earner" in section 2(1)(a) of both the SSCBA and the SSCB(NI)A to: -

"(a) "employed earner" means a person who is gainfully employed in either Great Britain or Northern Ireland either under a contract of service, or in an office (including elective office) with general earnings;"

Prior to the change made by ITEPA 2003, the earlier definition of "employed earner" was: -

"(a) "employed earner" means a person who is gainfully employed in either Great Britain or Northern Ireland either under a contract of service, or in an office (including elective office) with emoluments chargeable to income tax under Schedule E;"

In the drafting of the Income Tax Earnings and Pensions Act 2003 (ITEPA 2003), changes were not made to 167ZJ(2)(a) and 167ZS(2)(a) of SSCB(NI)A. The opportunity is also being taken to replace the references to "emoluments chargeable to income tax under Schedule E" in these provisions.

## Detailed proposal

### Operative date

The measure will take effect two months from the day on which the National Insurance Contributions Bill receives Royal Assent.

## Current law

Section 2(1)(a) of the SSCBA and SSCB(NI)A provides that "employed earner" means a person who is gainfully employed in either Great Britain or Northern Ireland either under a contract of service, or in an office (including an elective office) with general earnings.

## Proposed revisions

In Section 2(1)(a) of the SSCBA the word "general" is to be omitted. Consequential amendments are to be made to section 7(1)(b), section 163(1), section 171(1), section 171ZJ(2)(a) and section 171ZS(2)(a).

In Section 2(1)(a) of the SSCB(NI)A the word "general" is to be omitted. Consequential amendments are to be made to section 7(1)(b), section 159(1), section 167(1), section 167ZJ(2)(a) and section 167ZS(2)(a).

In section 181(1) of the Pensions Act 1993 the words "general earnings" are to be replaced with "earnings".

In section 176(1) of the Pension Schemes (Northern Ireland) Act 1993 the words "general earnings" are to be replaced with "earnings".

## Summary of impacts

<b>Exchequer impact (£m)</b>	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
	-	Nil	Nil	Nil	Nil	Nil
	This measure is expected to have minimal impact on the exchequer.					
<b>Economic impact</b>	This measure is not expected to have any significant economic impacts.					
<b>Impact on individuals and households</b>	None.					
<b>Equalities impacts</b>	Potential impacts have been considered and no different impact has been identified on people with protected characteristics.					
<b>Impact on business including civil society organisations</b>	This measure is expected to have no impact on businesses and civil society organisations.					
<b>Operational impact (£m) (HMRC or other)</b>	There will be no operational impact for HMRC.					
<b>Other impacts</b>	There are no other impacts					

## **Monitoring and evaluation**

The policy will be monitored and evaluated alongside other measures in the Government's personal tax changes.

## **Further advice**

If you have any questions about this measure, please contact Raj Nayyar on 0207 147 2521 or e-mail: [raj.nayyar@hmrc.gsi.gov.uk](mailto:raj.nayyar@hmrc.gsi.gov.uk)

## **Declaration**

David Gauke MP, the Exchequer Secretary to the Treasury, has read this Tax Information and Impact Note and is satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impacts of the measure.