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Dear Colleagues,

REPORT STAGE: NATIONAL INSURANCE CONTRIBUTIONS BILL

I am writing to bring to your attention changes that the Government has made to the National Insurance Contributions (NICs) Bill ahead of Report Stage in the Lords on 7 February.

Responding to the Delegated Powers and Regulatory Reform Committee Report recommendations

I would like to thank the Committee again for its diligent care in scrutinising the Bill and Noble Lords for their thoughtful comments in Grand Committee. The Government has further reflected on these views and have tabled the following amendments on 31 January ahead of Report Stage on 7 February, which can also be viewed on the Parliament website:

<https://bills.parliament.uk/bills/2860/publications>

Recommendation on Clause 10(2)(d)

Firstly, in respect of Clause 10, which provides an exemption from self-employed NICs in respect of self-isolation payments provided to support those on low incomes so they can self-isolate and help stop the spread of Coronavirus. Clause 10(2)(d) currently provides that the Treasury may designate new schemes in relation to any part of the United Kingdom that are corresponding or similar to the schemes specified in clause 10(2)(a) to (c). Payments under schemes designated in that way will benefit from the exemption in clause 10(1) and will not be taken into account for the purposes of computing the amount of profits in respect of which Class 4 and 2 contributions are payable.

The Committee has recommended that the power in Clause 10(2)(d) is subject to the negative procedure, rather than no procedure. The amendment to clause 10 makes this change.

Recommendation on Clause 3(1) and 6(6)

Secondly, Clause 3(1) and 6(6) allow the Government to extend the period that the Freeport and Veterans relief are available. The Committee has recommended that the power to extend the relief for Freeport employers and employers of veterans should be subject to the affirmative procedure, rather than the negative procedure. The Government has taken on board the DPRRC's recommendation, and agree that it would be appropriate that these powers were subject to the draft affirmative procedure. The amendments to clause 12 make these changes.

Setting the Upper Secondary Threshold for the Freeports and Veterans reliefs

The Freeport and the Veterans reliefs provide employers with a zero-rate of Secondary Class 1 NICs. Employers will be able to apply this rate up to a Upper Secondary Threshold, at which point, standard rates of NICs apply. The Upper Secondary Threshold is normally set through secondary legislation in an annual re-rating exercise. Due to the timing of this Bill, it is no longer possible to lay secondary legislation, and for the statutory instrument to come into force for 6 April. The Government is therefore setting the Upper Secondary Threshold in primary legislation. The Upper Secondary Threshold for the Freeport measure will be £25,000 per annum, and the Upper Secondary Threshold for the Veterans measure will be £50,270 – these have been communicated since these policies have been announced.

If you would like to discuss these amendments or the Bill in more detail, please get in touch with the HMRC Bill manager (raj.nayyar@hmrc.gov.uk). HMRC has also set up a website for the Bill where further information is available including the contact details of the Bill team:

<https://www.gov.uk/government/collections/national-insurance-contributions-bill-2021>

I look forward to Report Stage and the opportunity to debate this bill again.

I am copying this letter to Lord McLoughlin, chair of the Delegated Powers and Regulatory Reform Committee, and will also place a copy of letter in the House library.

*My best wishes,
James*

VISCOUNT YOUNGER OF LECKIE