



Statutory Document No. 42/03

THE SOCIAL SECURITY ACT 2000

THE NATIONAL INSURANCE CONTRIBUTIONS ACT 2002  
(APPLICATION) ORDER 2003

*Approved by Tynwald 20<sup>th</sup> February 2003*

*Coming into operation in accordance with Article 1*

In exercise of the powers conferred on the Department of Health and Social Security by section 1 of the Social Security Act 2000(a), and of all other enabling powers, the following Order is hereby made: -

**Citation and commencement**

1. (1) This Order may be cited as the National Insurance Contributions Act 2002 (Application) Order 2003 and shall, subject to section 2(1) of the Social Security Act 2000, come into force as provided for in paragraphs (2) and (3).

(2) This Article and Articles 2 and 3 shall come into force forthwith.

(3) Each provision of the applied legislation shall come into force on the same day as that provision comes into force in Great Britain.

**Interpretation**

2. (1) In this Order "the applied legislation" means -

(a) sections 2 to 4 and 6 to 8 of; and

(b) paragraphs 1, 4, 5(1) to (3) and 12(1) and (4) of Schedule 1, and Schedule 2 to,

the National Insurance Contributions Act 2002 (an Act of Parliament)(b).

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(a) 2000 c.5; (b) 2002 c.19.

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(2) Unless the context otherwise requires -

- (a) any reference in any of the applied legislation to any provision in an instrument of a legislative character which is not itself a provision of any of the applied legislation shall be construed as if the provision so referred to had been in force in the Island from the date on which that instrument of a legislative character had effect in Great Britain;
- (b) reference in any legislation applied by this Order to any provision of any such legislation or of any other legislation applied to the Island by an order under section 1 of the Social Security Act 2000 or section 1 of the Pension Schemes Act 1995(a) shall be construed as a reference to that legislation as it has effect in the Island.

#### Application to the Island of the applied legislation

3. The applied legislation, as modified and shown in the Schedule to this Order, shall apply to the Island as part of the law of the Island.

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(a) 1995 c.11.

## SCHEDULE

This Schedule sets out the text of sections 2 to 4 and 6 to 8 of, and paragraphs 1, 4, 5(1) to (3) and 12(1) and (4) of Schedule 1 and Schedule 2 to, the National Insurance Contributions Act 2002 (an Act of Parliament) with such exceptions, adaptations and modifications made where necessary.

Note: modifications subject to which the legislation is applied to the Island are in *bold italic* type.

## National Insurance Contributions Act 2002

### 2002 Chapter 19

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### *Increases in contributions*

#### Section

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Schedule 1 - Consequential amendments

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*Increases in contributions*

**Primary Class 1 contributions**

1. *Omitted.*

**Secondary Class 1 contributions**

2. (1) In section 9 of the Social Security Contributions and Benefits Act 1992 (calculation of secondary Class 1 contributions), for subsections (2) and (3) substitute -

"(2) For the purposes of this Act the secondary percentage is 12.8 per cent.

(3) Subsection (1) above is subject to -

- (a) *omitted;*
- (b) regulations under sections 116 to 119 below; and
- (c) sections 41 and 42A of the Pensions Act (reduced rates of Class 1 contributions for earners in contracted-out employment)."

**Class 4 contributions**

3. (1) In section 15 of the Social Security Contributions and Benefits Act 1992 (Class 4 contributions recoverable under *the* Income Tax Acts), for subsection (3) substitute -

"(3) A Class 4 contribution under this section for any tax year *shall be an amount equal to 8 per cent* of so much of the profits or gains referred to in subsection (1) above (computed in accordance with Schedule 2 to this Act) as exceeds £4,615 but does not exceed £30,940.

(2) *Omitted.*

(3) In section 18 of the Social Security Contributions and Benefits Act 1992 (Class 4 contributions recoverable under regulations), *in* subsection (1) -

- (a) *for "7.0 per cent" substitute "8 per cent"; and*
- (b) *for "£30,420" substitute "£30,940".*

*Application towards cost of national health service*

**Appropriate national health service allocation**

4. (1) Section 162 of the Social Security Administration Act 1992 (destination of contributions) is amended as follows.

(2) In subsection (5) (allocation towards cost of national health service) -

- (a) *omitted,*
- (b) *omitted,*
- (c) *in paragraph (b) for "0.9" substitute "1.9", and*
- (d) *in paragraph (f), for "1.15" substitute "2.15".*

(3) *Omitted.*

**Appropriate health service allocation: Northern Ireland**

5. *Omitted.*

*Supplementary*

**Consequential amendments**

6. Schedule 1 (consequential amendments) has effect.

***Revocations***

7. Schedule 2 (revocations) has effect.

**Short title *and* commencement**

8. (1) This Act may be cited as the National Insurance Contributions Act 2002.

(2) This Act has effect in relation to the tax year 2003-04 and subsequent tax years; and for this purpose "tax year" has the meaning given by section 122(1) of the Social Security Contributions and Benefits Act 1992.

(3) *Omitted.*

(4) *Omitted.*

## SCHEDULES

### SCHEDULE 1

#### CONSEQUENTIAL AMENDMENTS

##### *Social Security Contributions and Benefits Act 1992*

1. The Social Security Contributions and Benefits Act 1992 has effect subject to the following amendments.
2. and 3. *Omitted.*
4. (1) Section 17 (Class 4 contributions: exceptions, deferment etc.) is amended as follows.
  - (2) In subsection (1)(a) and (aa), after "contributions" insert ", or any prescribed part of such contributions,".
  - (3) In subsection (4), for "for Class 4 contributions" substitute "to pay Class 4 contributions, or any part of such contributions,".
5. (1) Section 19 (general power to regulate liability for contributions) is amended as follows.
  - (2) In subsection (1), after "classes" insert ", or any prescribed part of such contributions,".
  - (3) In subsection (3), after "class" insert "or any part of such contributions".
  - (4) *Omitted.*
6. - 11. *Omitted.*
12. (1) Section 122(1) (interpretation) is amended as follows.
  - (2) *Omitted.*
  - (3) *Omitted.*
  - (4) After the definition of "*school leaving age*" insert -  


"*secondary percentage*" is to be construed in accordance with section 9(2) above;".
13. - 45. *Omitted.*

SCHEDULE 2  
REVOCATIONS

| <i>Title and reference</i>   | <i>Extent of revocation</i>   |
|--|---|
| Social Security (Contributions)<br>(Re-rating and National Insurance<br>Fund Payments) Order 1996<br>(S.I. 1996/597)                             | Article 5(a)  |
| Social Security (Contributions)<br>(Re-rating and National Insurance<br>Funds Payments) Order 2000<br>(S.I. 2000/755)                            | Article 4(a).   |
| Social Security (Contributions)<br>(Re-rating and National Insurance<br>Funds Payments) Order 2002<br>(S.I. 2002/830) ( <i>see S.D. 316/02</i> ) | Article 2.<br><br>In Article 5, the words "15(3) and" and<br>paragraph (b) and the word "and"<br>before it. |

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Made 9th January 2003

  
Minister for Health and Social Security

## EXPLANATORY NOTE

(This is not part of the Order)

1. Section 1 of the Social Security Act 2000 enables the Department by Order to apply to the Island, as part of the law of the Island and incorporating such exceptions, adaptations and modifications as may be specified by the Order, any legislation to which that Act applies.
2. *Inter alia*, that Act applies to the Social Security Acts 1975 to 1998, the Jobseekers Act 1995, the Welfare Reform and Pensions Act 1999, the Child Support, Pensions and Social Security Act 2000 and, by virtue of the Social Security Act 2000 (Amendment) Order 2002, the National Insurance Contributions Act 2002. The Social Security Act 2000 also applies to any statutory instrument made (or having effect as if made) under any of those Acts of Parliament.
3. This Order applies to the Island those provisions of the National Insurance Contributions Act 2002 ("the Act") which it has been decided are appropriate to the Isle of Man. Their effect is summarised below.

### *Increases in contributions*

#### *Section 2: Secondary Class 1 contributions*

Section 2 increases by 1% the rate of secondary Class 1 contributions payable by employers in respect of all of the earnings of their employees falling above the secondary earnings threshold - from 11.8% to 12.8%. However, provision is made in that section for the new rate to be other than 12.8%, including, in particular, cases of contracted-out employment, where reduced rates of contributions are payable.

#### *Section 3: Class 4 contributions*

Section 3 increases - also by 1% - the rate of Class 4 contributions payable by those in self-employment (and by those treated under Regulations as being in self-employment) in respect of their net profits or gains falling between the lower and upper profits limits. The new rate will now be 8%.

Section 3 also provides that the lower profits limit referred to shall remain at its 2002-03 level of £4,615, whilst the upper limit will rise in line with inflation (per normal) - from £30,420 to £30,940.

It is intended that Regulations will be applied in the Isle of Man which freeze the primary and secondary earnings thresholds (i.e., the level of earnings in excess of which employees and employers start to pay contributions) at their 2002-03 levels of £89 per week (in both cases), whilst the upper earnings limit for employees will rise in line with inflation (again, per normal).



*Application of the increases in contributions to the national health service*

*Section 4: appropriate national health service allocation*

Section 4 provides that the additional contributions which will be collected because of the measures in the Act will be allocated in full to the national health service rather than to the National Insurance Fund.

*Supplementary matters*

*Sections 6 and 7 and Schedules 1 and 2: consequential amendments, and revocations*

Section 6 of, and Schedule 1 to, the Act specify those amendments to be made to the Social Security Contributions and Benefits Act 1992 as a consequence of the main provisions of the Act. Section 7 and Schedule 2 specify those provisions of existing subordinate legislation which the Act now requires to be revoked.

*Section 8: short title and commencement*

Section 8 specifies the Act's short title and provides that the provisions of the Act shall come into operation from the beginning of the tax year 2003-04.